

The Funding of **Indiana's** College Scholarship Programs:
A Study Conducted Jointly by the Indiana Commission for Higher
Education and the State Student Assistance Commission of Indiana

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Executive Summary

The 2009 Indiana General Assembly passed the following language in P.L. 182-2009(ss):

(a) The commission for higher education with the assistance of the state student assistance commission shall study the funding of college scholarship programs provided by the state student assistance commission and the state's public universities. The study must examine the following issues:

(1) The limits established for awards and the differences between the limits established for private and public universities.

(2) The extent to which criteria for establishing the eligibility of an applicant should consider receipt of Pell Grants, other wrap-around assistance provided by a university, tax credits, and other assistance.

(3) The relative amounts of assistance provided on the basis of merit and on the basis of need.

(4) Whether means tests should be required for students participating in the twenty-first century scholars program as those students enter college.

(5) Scholarships and awards provided for members of the military and National Guard.

(6) Scholarships and awards provided to individuals being held in state correctional facilities.

The financial aid available to Hoosier students and families attending postsecondary institutions in Indiana has been and remains a financial priority for the state but the distribution is complex. Aid comes in several different forms, including grants, loans or tax benefits, and from several sources, including the state and federal government, Indiana's postsecondary institutions, and private sources. This study focuses on the student financial aid distributed through the State Student Assistance Commission of Indiana (SSACI), and to a lesser extent from the public postsecondary institutions and state and federal tax benefits.

Of particular concern to the Indiana Commission for Higher Education (CHE), and other state policymakers, are the college completion rates of Indiana students. In the last year, advocacy groups have issued reports indicating how all types of students—those who work, are minorities, attend less-selective colleges, or come from low-income families—struggle in higher education. They have talked about the needs of the modern workforce, and how the United States is falling behind the rest of the developed world in terms of college completion.¹ Indiana has made progress in the college-going rate of Indiana citizens, but completion rates of students,

¹ Gates' Millions: Can Big Bucks Turn Students Into Graduates? Chronicle of Higher Education, August 8, 2010.

especially low income students who rely heavily on financial aid, have not increased with the college-going rate.

In designing Indiana's need-based aid program, the General Assembly wanted aid to follow the student. This has meant that as student demographics have changed, the distribution of aid has changed as well. Fewer students who qualify for need-based aid attend private colleges or even flagship public four-year colleges. More students are older than the traditional 17 to 24 year-olds. Many students are in their late 20's or early 30's, have jobs, housing, and families of their own. Many adults who have lost jobs are returning to college to gain training for new employment, and more jobs today require education beyond high school. As a result, in the last two years, need-based student demographics have switched from one-third adult students and two-thirds traditional students to slightly more than half of adult students and slightly under half of traditional students. Consequently, enrollments at Indiana colleges that cater to adult students, typically Ivy Tech Community College of Indiana (ITCCI) and proprietary/for-profit colleges have soared.

Recommendation #1: The state should consider establishing a separate fund to meet the financial needs and aspirations of adult students:

- (A) Consider Pell in the SSACI aid calculation for adult and independent students when the combined federal and state aid exceeds the cost of attendance. This would ensure these students receive the maximum amount of financial aid for all college costs while reducing state expenditures.
- (B) Encourage colleges to consider late applications for adult students for part-time aid or set aside more and separate part-time state aid for ITCCI or other colleges whose demographic is similar to Indiana's adult student population.

Recommendation #2: The state should allocate state aid to support student degree completion through acceleration and transfer models:

- (A) Allow SSACI aid to be available for summer school to the extent that students could complete in three years.
- (B) Increase the Frank O'Bannon grant subsidy to 100% of the relative caps for all students after they complete an associate degree and successfully transfer to a four-year college. This encourages students to complete one-half of their baccalaureate degree at the less expensive and more adult friendly community college before beginning at a four-year school. Most students attending the community college have not obtained an Academic Honors diploma and are, therefore, only eligible for the 80% subsidy.

Indiana students, parents and policymakers have become increasingly concerned about college affordability, financial aid, and financial preparations for postsecondary education. A recent report from the National Center for Education Statistics found that 56 to 63 percent of high school seniors who planned to attend college said that the availability of financial aid is very important in choosing a college.² However, a *Student Poll* study published by the College Board found that the majority of students and parents are ruling out colleges based solely on a school's published sticker price without taking into account what they might receive in financial

² Getting Ready for College: Financial Concerns and Preparation Among the High School Senior Class of 2003–04, U.S. Department of Education, NCES 2010-204, April 2010.

aid.³ The study further noted that students often over- or under-estimate what they are likely to receive in financial aid, and they are not using financial aid calculators to draw these conclusions. This lack of accurate information about financial aid leads to poor financial planning for college and negatively impacts a student's chance of earning a degree. The better information families have about paying for college, the more successful a college experience the student is likely to have.

Recommendation #3: The state should develop a customized state-wide college costs estimator. The service would be free to the public and be available online through CHE's webpage, the state's Learn More Indiana initiative and other outlets. The Estimator should include estimates of Expected Family Contribution (EFC) using the federal methodology and resulting federal, state and institutional aid eligibility at Indiana colleges and universities (including the seven public systems and the 31 independent colleges), for both dependent and independent students, with the ability to generate side-by-side comparisons of Indiana colleges.

The private colleges of Indiana are an integral part of its higher education system. They enroll 85,000 students and contribute substantially to the education of Indiana residents. The stated purpose of allowing students to take SSACI grants to private colleges is to allow a "freedom of choice" for students. Further, a higher cap for private schools makes public policy sense in that private schools are not receiving the state subsidy that public schools receive.

Recommendation #4: The state should affirm freedom of choice for students by maintaining the current formula for distribution of state financial aid between public and private institutions.

SSACI, either by statute or practice, has treated several of their scholarship program appropriations as fungible across programs. This has allowed SSACI great flexibility to move funds between programs to meet varying demands. However, this occasionally has the disadvantage of masking the true cost of individual programs, and leads to a lack of transparency in state financial aid policy. In addition, the ability to move appropriations is inconsistently granted across some SSACI programs, including the Higher Education Award (HEA) and the Freedom of Choice (FOC) funds. This could lead to the unintended consequence of requiring SSACI to leave funds unexpended in certain programs, specifically the FOC program unless SSACI is either given the ability to move appropriations across all programs, or the HEA/FOC appropriation is consolidated.

Recommendation #5: The state should merge the Freedom of Choice fund with the Higher Education Award fund into a single program with one appropriation. If these were combined into one fund (name to be determined, legislative changes needed), no student's award amount would change and the state would never be in the position of leaving money unspent in a non-transferable fund. Caps could continue to reflect the legislature's wish for proportionality without needing to legislate details within the Frank O'Bannon award.

³ *Student Poll*, Published by the College Board and Art & Science Group, LLC, Volume 8, Issue 1.

The quality of the analysis in any study is dependent on the availability and quality of the data. The authors found large and important gaps in the available data regarding financial aid. In some cases the data are simply not collected. In other cases the data are collected but unavailable to the study. In some cases the data exist but are housed in separate databases that must be linked before reasonable analyses could be conducted.

Recommendation #6: The state should expand its collection of current Student Information System (SIS) data to include the independent and proprietary sectors, certificate programs below one year, and course-level information from both colleges and high schools. Indiana currently does not have access to the SIS data collected from the independent institutions, nor does it have access to any student-level data from those proprietary institutions that are eligible for state student financial aid. Because it does not have statutory authority to authorize programs less than one year (with some exceptions), CHE does not collect data on certificate programs below one year in length. Currently, Indiana does not collect any course-level data but the Indiana Department of Education is in the process of implementing a collection mechanism for such information.

There is a concerted effort in Indiana to align state financial aid policy with state college completion policy. Accordingly, college enrollment managers have noted that some students use up several semesters of SSACI aid while making no real progress toward a degree. SSACI can tighten its Frank O'Bannon grant regulations to encourage college success. Under existing SSACI rules, students are eligible to receive eight semesters of SSACI aid, and must meet their college's Satisfactory Academic Progress (SAP) requirements to continue to receive aid. However, students may receive aid for failed semesters (up to a certain point). Colleges may count a student as full-time on the census date, but that student subsequently may drop down to part-time or drop out completely, and SSACI still pays the student's aid as if one were a successful full-time student.

Recommendation #7: The state should consider requiring students who receive a SSACI grant to achieve a more stringent satisfactory progress requirement before additional SSACI aid would be disbursed in future semesters.

Most students finance their education by combining different types of financial aid from different sources. Financial aid is often divided into grants and scholarships (which do not need to be repaid), loans (which do need to be repaid), and work programs. The major sources of financial aid include the federal government, state government, institutions, and private organizations. There are also favorable tax deductions and tax credits that help families of all incomes pay for college. All of the sources of financial aid must be understood by families and policymakers. However, it would be counter-productive to consider all types of aid in calculating the state financial aid awards through SSACI.

Recommendation #8: The state should not consider the receipt of Pell Grants in the calculation for state financial aid for traditional students. Pell grants are already being distributed to students with the greatest financial need. Increasing funds for aid to non-Pell grant recipients (i.e. those students/families with higher incomes) should not come at the expense of aid to Pell grant recipients (i.e. those students/families with the lowest incomes). Pell grants are not limited to tuition and fees rather they take into account the total cost of attendance for college. The laws that govern Pell grants intend that they should be used towards total costs of attendance. Moreover, if state financial aid considered receipt of Pell grants, then for every dollar of increased Expected Family Contribution (EFC), two dollars of aid would be lost because both Pell grants and Frank O'Bannon are calculated by subtracting a family's EFC.

Recommendation #9: The state should not require SSACI to incorporate institutional financial aid in its financial aid offers. Institutional aid serves a different and specific function from financial aid in general. Institutions use their aid to attract and retain students, including awarding merit-based financial aid to reward achievement. It is assumed that institutions use their aid to maximize the benefit to their institutions. Additionally, the state has no control over institutional aid; that control is in the hands of the trustees. If the state were to take into account institutional aid when creating state awards, the institutions would alter how they distribute aid to maximize receipt of state funds for students.

Recommendation #10: **The state's** public and private postsecondary institutions should wrap around their institutional financial aid with state and federal financial aid. Some examples of exemplary wraparound assistance include the Pell Promise and 21st Century Scholars Covenant at Indiana University. The Pell Promise program provides the balance of funds needed to cover the fall tuition and mandatory fees for in-state undergraduates who qualify for federal Pell grants. The 21st Century Scholars Covenant covers the full cost of attendance, including books and room and board, up to financial need.

Recommendation #11: The state should not consider receipt of tax credits when determining student eligibility for state financial aid. Tax credits are post-hoc to the financial aid process, as they are claimed the year after the financial aid is awarded and received.

The majority of state financial aid distributed through SSACI is provided based on need, although a merit component is part of the Frank O'Bannon calculation and there are a few non-need based programs.

Recommendation #12: The state should affirm that state aid distributed through SSACI be based primarily on need.

The Twenty-first Century Scholars Program seeks to meet many critical needs of students and residents in Indiana. The Program began in 1990 as Indiana's way of raising the educational aspirations of low- and moderate-income families. By statute, the program is charged with seven goals.

Section 21-12-6-1 of Indiana's Code states that the Twenty-first Century Scholars Program is established to:

1. Reduce the number of students who withdraw from high school before graduation.
2. Increase the number of students who are prepared to enter the workforce upon graduation.
3. Increase the number of students entering postsecondary educational institutions in Indiana.
4. Encourage eligible students to attend postsecondary educational institutions in Indiana by reducing the financial burden on the eligible students and their families.
5. Decrease drug and alcohol abuse by encouraging higher educational pursuits.
6. Increase economic vitality.
7. Improve the overall quality of life for many Indiana residents.

The Program has been enormously successful in enrolling students and in raising the high school graduation rate of Twenty-first Century Scholars. However, there is no significant evidence that the program has helped low income students actually graduate from college. While many students take advantage of the early intervention and students services programs available to them, many students do not, rendering the main purpose of the program ineffectual. The tuition scholarship program is also experiencing heavy demand, in excess of state appropriations by nearly \$30,000,000 in the current biennium. That excess demand is met by drawing funds away from the state's need based financial aid program, resulting in lower student aid awards to needy students. Moreover, the evidence indicates that roughly 1 out of 6 (17%) Twenty-first Century Scholars students do not meet the income eligibility requirements when they enroll in the program, and 1 out of 5 (20%) Scholars do not show financial need when they attend college. Those 20% of students use roughly 33% of the Twenty-first Century Scholars' appropriation.

Recommendation #13: The state should refocus the Twenty-first Century Scholars program on early intervention, student services, program requirements, and college and workforce preparation goals. The early intervention and student services should be coordinated to be seamless for students as they transition from high school to college.

Recommendation #14: The state should expect that Twenty-first Century Scholars students participate in the early intervention and student services offered by the Twenty-first Century Scholars program.

Recommendation #15: The state should consider that Twenty-first Century Scholars students must show an aptitude and desire to be college prepared by having a minimum high school cumulative grade point average of 2.5.

Recommendation #16: The state should develop a sustainable funding model to ensure the long-term viability of the Twenty-first Century Scholars program. The state should consider when allocating financial aid whether Scholars meet statutory income requirements when they graduate from high school and enter college. This report makes no specific recommendation on how to allocate funds based on demonstrated financial need but acknowledges that ensuring eligibility will have the effect of providing more funding for low-income students who qualify for a Frank O'Bannon grant. (Recall, that the Twenty-first Century Scholars Program currently draws substantial funds from the Frank O'Bannon program).

The Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO) provides benefits to family members of Indiana veterans, Guard members, and public safety officers. Some of the programs are administered by agencies other than SSACI even though SSACI is the fiscal agent.

Recommendation #17: The state should assign all fiscal *and* administrative duties for the Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO) to **Indiana Department of Veterans' Affairs (IDVA)**. The CVO program does not fit well with the rest of SSACI's financial aid programs. SSACI has established uniform eligibility requirements for its programs, but since SSACI does not have regulatory authority over the CVO program, the CVO program remains inconsistent with how other SSACI aid is administered. Moreover, the multiple programs within the CVO program are inconsistent with each other. There are three separate certifying agencies for different CVO programs; IDVA, SSACI, and the Military Department of Indiana (MDI). While SSACI aid is generally limited to eight semesters of undergraduate education, not a single CVO program incorporates both the eight-semester and undergraduate limits. In fact, many CVO programs can be applied to graduate education. Additionally, several CVO programs have a 124 credit hour limit, instead of eight semesters, and some programs have no limit at all.

SSACI treats incarcerated students the same as all other students. Because incarcerated students have no income, they all qualify for need-based aid. Treating incarcerated students the same as other students in the financial aid process creates several problems. First, the SSACI requirement that all students receiving state aid file a FAFSA by March 10th limits incarcerated students' ability to pay for college. Another difficulty results from the award caps. A limited number of public and private institutions provide prisoner education. Because the law establishes different cap levels for public and private institutions, incarcerated students are receiving different levels of aid based on which institution happens to provide education at their facility. This unintended inequity needs to be recognized. Perhaps the greatest issue in prisoner education results from the different goals of the incarcerated student population and the traditional student population. It is well documented that if prisoners can find gainful employment after release they are unlikely to reoffend. Increasing offender employment is the best way to reduce recidivism rates and reduce correctional costs to society. The Department of Corrections believes that workforce certification programs are the key to providing inmates with employable skills. However, state financial aid only funds traditional associate and bachelor degrees. Institutions that provide prisoner education will not offer workforce certification programs because SSACI does not fund these programs.

Recommendation #18: The state should fund prisoner education through the Department of Corrections. By divorcing financial aid for prisoners from SSACI, the state will have the flexibility to adopt the most appropriate education programs for prisoners. The Department of Corrections can analyze the educational needs of prisoners, and put out an RFP to provide the desired services. Any public or private Indiana postsecondary institution should be able to respond to the RFP.

Some emerging issues were identified during the development of this study that warrant additional study. While these issues are important enough to bring to light in this study, it was considered to be beyond the legislative charge to make specific recommendations hereto. Therefore, they are presented here as a call for future analysis and potential action.

Recommendation #19: The state should further consider the following emerging issues in state aid:

- (A) Twenty-first Century Scholarship and Foster Care
- (B) Contract for Space
- (C) Data on Transfer Students
- (D) FAFSA Simplification
- (E) Programs with Repayment Requirements
- (F) National Guard Supplemental Grant
- (G) Financial Aid for Middle-Income Students and Families

Introduction

The 2009 Indiana General Assembly passed the following language in P.L. 182-2009(ss):

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(3) The relative amounts of assistance provided on the basis of merit and on the basis of need.

(4) Whether means tests should be required for students participating in the twenty-first century scholars program as those students enter college.

(5) Scholarships and awards provided for members of the military and National Guard.

(6) Scholarships and awards provided to individuals being held in state correctional facilities.

The financial aid available to Hoosier students and families attending postsecondary institutions in Indiana has been and remains a financial priority for the state but the distribution is complex. Aid comes in several different forms, including grants, loans or tax benefits, and from several sources, including the state and federal government, Indiana's postsecondary institutions, and private sources. This study focuses on the student financial aid distributed through the State Student Assistance Commission of Indiana (SSACI), and to a lesser extent from the public postsecondary institutions and state and federal tax benefits.

"The driving force behind the 21st-century economy is knowledge, and developing human capital is the best way to fuel it."⁴ In *Reaching Higher: Strategic Directions for Higher Education in Indiana*, the Indiana Commission for Higher Education (ICHE) concluded that:

Now more than ever, the future of Indiana depends upon improving the education and skills of its populace. In fact, results from a recent statewide survey revealed that almost every Indiana respondent (98%) perceived a college education to be important, particularly for increasing opportunities for a high-paying job. If Indiana is to be competitive nationally and internationally, its entire populace will need to achieve a

⁴ Economics, Demography and the Future of Higher Education Policy, Anthony P. Carnevale and Richard A. Fry, Educational Testing Service.

depth and breadth of education never seen in the state's history. Most concerning is the consistent gap between the college participation and degree-earning rates of minority students and low income students when compared to their peers. Indiana's failure to address such achievement gaps will constrain future growth and opportunity.

Of particular concern to CHE, and other state policymakers, are the college completion rates of Indiana students. In the last year, advocacy groups have issued reports indicating how all types of students—those who work, are minorities, attend less-selective colleges, or come from low-income families—struggle in higher education. They have talked about the needs of the modern workforce, and how the United States is falling behind the rest of the developed world in terms of college completion.⁵ Indiana has made progress in the college-going rate of Indiana citizens, but completion rates of students, especially low income students who rely heavily on financial aid, have not increased with the college-going rate.

Indiana students, parents and policymakers have become increasingly concerned about college affordability, financial aid, and financial preparations for postsecondary education. A recent report from the National Center for Education Statistics found that fifty-six to sixty-three percent of high school seniors who planned to attend college said that the availability of financial aid is very important in choosing a college.⁶ However, a *Student Poll* study published by the College Board found that a majority of students and parents are ruling out colleges based solely on a school's published sticker price without taking into account what they might receive in financial aid.⁷ The study concluded that students are either over or under estimating what they are likely to receive in financial aid primarily because they are not using financial aid calculators or they believe them to be unreliable. This lack of accurate information about financial aid leads to poor financial planning for college.

This report is intended to shed light on several financial aid issues in order to help understand the state's financial aid programs and to distribute scarce resources in ways that improve the state's higher education system and make financial planning for Indiana families more transparent and understandable.

Staff from CHE and SSACI spent several months studying the specific issues raised in the legislation, as well as other related financial aid issues. Staff met with and sought the input and recommendations of representatives of Indiana public, private and proprietary postsecondary institutions, the Independent Colleges of Indiana, the Indiana Student Financial Aid Association, The Department of Veterans Affairs, the Indiana Department of Corrections and a host of other stakeholders. The authors made every reasonable effort to consider and incorporate that input in the analysis, conclusions and recommendations.

It should be noted that the quality of the analysis in any study is dependent on the availability and quality of the data. The authors found large and critical gaps in the available

⁵ Gates' Millions: Can Big Bucks Turn Students Into Graduates? Chronicle of Higher Education, August 8, 2010.

⁶ Getting Ready for College: Financial Concerns and Preparation Among the High School Senior Class of 2003–04, U.S. Department of Education, NCES 2010-204, April 2010.

⁷ *Student Poll*, Published by the College Board and Art & Science Group, LLC, Volume 8, Issue 1.

data regarding financial aid. In some cases the data are simply not collected. In other cases the data are collected but unavailable to the study. In some cases the data exist, but are in separate databases and need to be married before reasonable analyses could be conducted. This study is not intended as a complete addressing of all financial aid issues in Indiana. The authors made every effort to answer the specific questions in the legislation, but concede that some questions will remain unanswerable until the data deficiencies are corrected.

Finally, the authors gratefully acknowledge the kind assistance and counsel of all those who participated in our study, especially Mark Franke, Associate Vice Chancellor for Enrollment Management at Indiana University Purdue University Fort Wayne, and William Sheldrake, President of Policy Analytics, LLC.

How State Aid Works

Broad Outlines of State Aid

Indiana's student aid programs provided by the State Student Assistance Commission of Indiana (SSACI) are diverse, designed to meet the needs of specific groups of students, and their administration and interactions are complex. What follows is an overview of the process for distributing state aid in Indiana.

There are several general requirements that apply to SSACI programs. All programs require that the student receiving the aid be an Indiana resident. Most state aid programs limit students to eight semesters of SSACI aid, representing four years of aid; one program limits aid to 124 credit hours. The eight semester limit applies to any combination of programs, so that a student could use four semesters of Frank O'Bannon aid (two years) and eight semesters of Part-Time aid (the equivalent of two full-time years) and be ineligible for additional state aid. Most programs apply only to undergraduates. The Nursing Scholarship, Minority Teacher/Special Services Scholarship, and the Child of Veteran and Public Safety Officer Supplemental Grant (CVO) programs are exceptions to the undergraduate requirement, although they are primarily used towards undergraduate degrees.

All students receiving state aid must attend an eligible Indiana institution of higher education.⁸ Finally, most of the SSACI programs, including most of the largest programs, apply to students attending college full-time (Frank O'Bannon, 21st Century Scholars, and Minority Teacher/Special Services Scholarship). Several programs are intended to be used by full-time students, but can still be used by students attending part-time (National Guard Supplemental Grant, Nursing Scholarship, CVO, and Frank O'Bannon students in their final semester of college). The Part-Time Grant is the only program specifically designed for students attending college part-time.

Need-Based Aid

The student aid process begins with students filing the Free Application for Federal Student Aid (FAFSA). This federal document uses a standard calculation to determine the amount a family can be expected to pay for college, otherwise called the expected family contribution (EFC). The following summary of the EFC calculation can be found on the U.S. Department of Education website at <http://www2.ed.gov/programs/fpg/index.html>:

Financial need is determined by the U.S. Department of Education using a standard formula, established by Congress, to evaluate the financial information reported on the Free Application for Federal Student Aid (FAFSA) and to

⁸ There is one exception: a student may qualify for the Frank O'Bannon Grant if they are residents of Dearborn, Franklin, Jefferson, Ohio, Ripley, or Switzerland counties attending Northern Kentucky University, the University of Cincinnati, or Cincinnati State Technical College. For many years, Indiana had a reciprocity agreement which paid an extra sum of funds to these colleges for certain Indiana students who had no local Indiana college available to them. Now Ivy Tech is available in these counties. The reciprocity agreement changed in 2007 such that no contract aid dollars are exchanged, but students from many more Indiana counties can attend more out-of-state universities at in-state tuition rates, but only students from these six counties attending these three colleges can continue to receive the Frank O'Bannon Grant.

determine the family EFC. The fundamental elements in this standard formula are the student's income (and assets if the student is independent), the parents' income and assets (if the student is dependent), the family's household size, and the number of family members (excluding parents) attending postsecondary institutions. The EFC is the sum of: (1) a percentage of net income (remaining income after subtracting allowances for basic living expenses and taxes) and (2) a percentage of net assets (assets remaining after subtracting an asset protection allowance). Different assessment rates and allowances are used for dependent students, independent students without dependents, and independent students with dependents. After filing a FAFSA, the student receives a Student Aid Report (SAR), or the institution receives an Institutional Student Information Record (ISIR), which notifies the student if he or she is eligible for a Federal Pell Grant and provides the student's EFC.

Indiana makes a distinction in the award calculation for dependent and independent students. In Indiana, the dependent student calculation does not consider the student's ability to pay. For dependent students, Indiana only looks at the parents' ability to pay, and does not take into account student savings or earnings. The parental contribution (PC) is actually a first step in how the federal government calculates the expected family contribution (EFC) of a dependent student. Using the PC for dependent students, and the EFC for independent students (the only contribution number available for independent students), allows the state to be relatively generous to dependent students.

Having the federal government determine the contribution for each student has allowed a great deal of cooperation among colleges, states, the federal government and other aid providers. It provides a mutually agreed-upon level of need for that student, making a 'level playing field' for the student to be able to compare the costs among (and aid levels offered by) different colleges. It allows colleges to know in advance what the states and federal government are likely to offer in aid for each student. It would take much longer, with many impediments, to put together aid packages for students, without using the FAFSA as a central clearinghouse for baseline levels of need. However, federal changes are being considered which may force the Commission (and other states' aid agencies) to move away from this central form.⁹

By federal law, SSACI receives all FAFSA records (ISIRs) for all Indiana students. By SSACI rule, FAFSA applications must be received by March 10th for a student to be eligible for Indiana state aid and to receive an award offer.¹⁰ Students then have until May 15th to correct any errors to FAFSAs filed by the March 10th deadline.¹¹ By May 15th, SSACI also receives information regarding next year's tuition for different institutions, high school graduates' diploma types, and scholar affirmations for the 21st Century Scholars program. All of this information is necessary to determine how many students are eligible for state aid, project how much state aid will be used in total, and make any adjustments within SSACI's administrative purview in order to optimize the use of state funds without exceeding budget. Note that the

⁹ Implications for state aid of changes to the FAFSA are discussed in the Emerging Issues section of this document.

¹⁰ A few programs will accept late FAFSAs: CVO, Hoosier Scholar, Robert Byrd, and the Part-Time Grant.

¹¹ These dates are adjusted as necessary to avoid Sundays and to allow timely delivery of awards; they are posted on SSACI's website: www.in.gov/ssaci.

deadline to file a FAFSA for purposes of receiving federal financial aid is not until June of the academic year just completed.

The Frank O'Bannon Grant

The Frank O'Bannon award is the primary need-based aid program for the state of Indiana, and as such it is the first award calculated for eligible students. The statutory limits established for the Frank O'Bannon awards are set forth in each biennium budget bill. The award limits are based on undergraduate tuition and fees for the prior academic year. The statutory limit states that the maximum base award shall not exceed the lesser of:

1. *eighty percent of actual prior academic year undergraduate tuition and fees* (this is used to calculate awards for public institutions); *or*
2. *eighty percent of the sum of the highest prior academic year undergraduate tuition and fees at any public institution of higher education and the lowest appropriation per full-time equivalent undergraduate student at any public institution of higher education* (this is used to calculate awards for independent institutions).¹²

An additional statutory provision allows the maximum base award to be adjusted for students who fulfill college preparation requirements. This is done by adding ten or twenty percent to the base award, so that the maximum award is ninety or one hundred percent of actual prior academic year undergraduate tuition and fees, depending on whether the student graduates high school with a Core 40 or Academic/Technical Honors diploma, respectively. When a Core 40 diploma becomes the standard diploma in AY 2011-2012, it will be treated as the base diploma, with an award rate set at eighty percent. The academic honors diploma will continue to receive a twenty percent increase over the base award, so that the maximum award rate for the academic honors diploma will be one hundred percent of actual prior year undergraduate tuition and fees. There will be no ninety percent rate since there will be no diploma awarded between a Core 40 and academic honors diploma.

The budget bill also specifies that the maximum award may be reduced one time by either the PC (for dependent students) or the EFC (for independent students). Combining all of this information yields the Frank O'Bannon Scholarship calculation formula: (Merit-based Rate) X (Prior Year Tuition) – PC or EFC = Award. However, for the majority of students an additional factor must be considered if rationing of available resources is necessary.

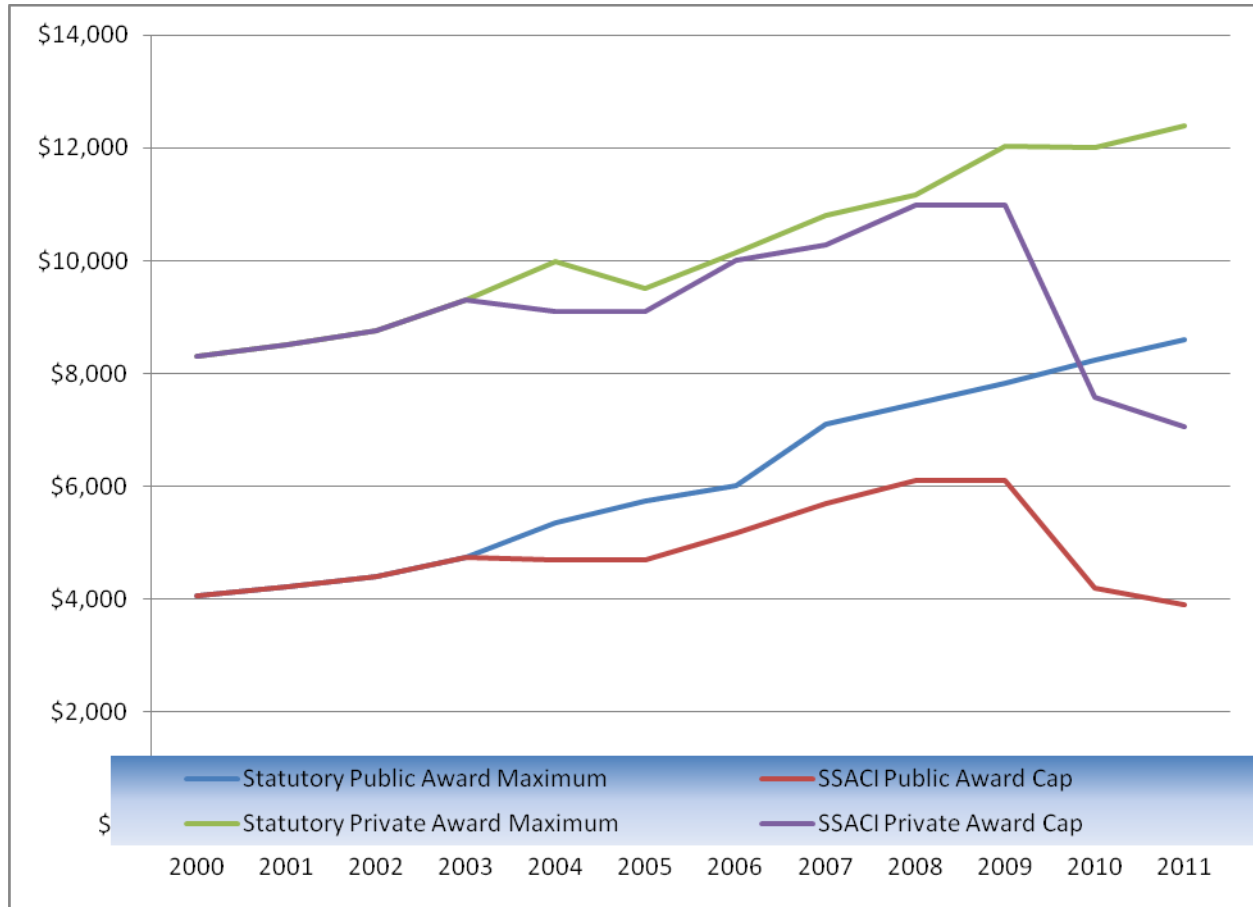
The budget bill allows SSACI to reduce the maximum award level if the total dollar amounts of eligible awards exceed appropriations and program reserves. Until 2004, this was not necessary. Since 2004, SSACI has had to establish limits on the maximum levels the majority of state awards may reach, which is less than the statutory maximum level. SSACI does this in order to maintain fiscal responsibility and not overspend its budget. The limits established by SSACI for awards are termed “caps” and caps are set by taking into consideration budget constraints, the number of students qualifying for awards, projected applications for the second year of biennium state funding, likely tuition increases, and potential federal changes to the FAFSA. There are three categories of caps which function as the award limit:

¹² PL 182-2009(ss).

- The cap for students attending a public colleges, where the college's tuition exceeds the state cap
- The cap for students attending an eligible private college, which by law changes in proportion with public college caps
- Proprietary cap, which is based on the prior year tuition and mandatory fees charged by Ivy Tech Community College of Indiana (ITCCI)

Only ITCCI's tuition level is low enough to function as the award limit and do not require a cap.

The chart below shows the statutory and SSACI caps for students attending public and private universities since 2000.¹³



The cap amounts for students attending private colleges are set at higher rates than for students attending public colleges in some attempt to spread more equitably the state subsidy given to a student attending a public college and the state aid given to a student attending a private college. Because the state already subsidizes public college operations through annual operating appropriations directly to the public institutions, public college tuition rates are lower than private college tuition. The higher private college cap is a reflection of this subsidy to state institutions. Additionally, the budget bill requires that the caps for public and private institutions must move in tandem, going up or down by the same percentage.¹⁴

¹³ Even though SSACI appropriations have increased significantly more than other state agencies, caps were lowered because of increases in tuition and the number of eligible students.

¹⁴ PL 182-2009(ss).

There is an important point to understand about caps. Caps exist to ensure that state funds are not overspent and they do this by functioning in place of tuition when calculating awards. If caps were not in place for academic year 2009-2010, an additional \$270 million would have been necessary to meet the full need of students, on top of the \$230 million already appropriated. The use of caps modifies the Frank O'Bannon Scholarship formula in this way: (Merit-based Rate) X (Tuition or Cap) – PC/EFC = Award

An additional condition of the budget bill specifies that no award shall be less than \$400. Raising the minimum award is one mechanism to control costs and target aid. Because awards are based on financial need, when the minimum award is raised it eliminates awards for students with a low level of financial need (less than \$400) and frees up money to be spent on students with a higher level of financial need. Since tuition is so low at Ivy Tech the total elimination of awards less than \$400 can be significant, possibly affecting a student's choice on whether or not to attend the school, while students at institutions with larger tuitions are affected to a lesser extent. This situation illustrates the decision the state must make between less financial aid for more students and more financial aid for fewer students, and between the needs of those attending different types of colleges.

Freedom of Choice

The Frank O'Bannon Scholarship includes two separate funds: the Higher Education Award and Freedom of Choice Grant. For students attending a public institution, their entire award comes from the Higher Education Award fund. For students attending a private institution, their Frank O'Bannon Scholarship comes from both the Higher Education Award and Freedom of Choice funds. SSACI changed the percentages in order to maximize the use of funds. Money cannot be transferred from the Freedom of Choice fund to any other fund, even if Freedom of Choice were to have a large carryover. The percentage change in AY2009-2010 allowed the Freedom of Choice funds to be drawn down to zero to avoid leaving a large carryover of unused funds. However, SSACI's inability to adjust public and private caps separately and the prohibition against moving Freedom of Choice funds as needed is likely to result in money left unused in the Freedom of Choice fund within the next few years, unless statutory changes correct this problem.¹⁵

The Part-time Grant

While the Frank O'Bannon Scholarship is the need-based award for students attending college full-time (at least 12 credit hours per semester), the Part-time Grant is the need-based award for students attending part-time. This grant is not directly allocated by SSACI; rather, SSACI allocates funds and provides general guidance to the institutions and it is left to the institutions to determine which students receive part-time aid. As long as allocated funds are available, a student enrolled in two to twelve credit hours per semester may qualify for the Part-time Grant, although priority is given to students meeting certain guidelines (dependency status, income). Students who did not file by the March 10th deadline are eligible in theory for part-time aid, but in practice many colleges use the SSACI filing deadline as a criteria because there are more students who need part-time aid than there is aid to accommodate them. Colleges whose

¹⁵ See Emerging Issues.

typical student does not know that they plan to attend college until after the March 10 deadline (typically students attending ITCCI, proprietary colleges, certain private colleges with programs aimed at adult students and dislocated workers), will have many more part-time students than they have aid, and even more part-time students than they have full-time students. Like the Frank O'Bannon Scholarship, the Part-time Grant award formula uses an eighty percent subsidy rate and relies on the PC/EFC calculation. Unlike the Frank O'Bannon Scholarship, in which an award is made for a whole year at once, the Part-time Grant is term based and is only calculated one semester at a time: $(80\%) \times ([\text{Capped}] \text{ Tuition/Credit Hour}) \times (\text{Number of Credit Hours}) - \text{PC/EFC for the term} = \text{Part-time Grant}$.

Supplemental Awards – The Twenty-first Century Scholarship

Separate caps are used when determining the supplemental grant awards, which include the Twenty-first Century Scholarship and National Guard Supplemental Grant. The Twenty-first Century Scholars Program began in 1990 as Indiana's way of raising the educational aspirations of low- and moderate-income families. The program aims to ensure that all Indiana families can afford a college education for their children.

Income-eligible students (see table) must enroll in the program during 6th, 7th, or 8th grade and sign a pledge that they will remain drug, alcohol, and crime free.

2008-2009 Income Maxima to Qualify for the Twenty-first Century Scholars Program ¹⁶	
Household Size	Maximum Annual Income
2	\$25,900
3	\$32,560
4	\$39,220
5	\$45,880
6	\$52,540
For each additional person in household, add \$6,660	

In their high school graduation year, these students must affirm that they have kept their pledge. Those who enroll in the program and fulfill the pledge of good citizenship to the state are guaranteed the cost of four years of undergraduate college tuition at any participating public college or university in Indiana. The students must also graduate high school with a 2.0

GPA or better and use the scholarship within two years of high school graduation. A Core 40 diploma was encouraged but not required. The goals of the Twenty-first Century Scholars Program are to help more students continue their education, reduce the high school dropout rate, prepare students for the workforce, decrease the use of drugs and alcohol among middle and high school students, and improve individual economic productivity and the quality of life for all Indiana residents.¹⁷

The Twenty-first Century Scholarship and National Guard Supplemental Grant are considered supplemental awards because they are awards given as a supplement to the Frank O'Bannon awards. Because these awards supplement the Frank O'Bannon award, they are calculated after the Frank O'Bannon award eligibility is established. Unlike the Frank O'Bannon awards, the caps for the supplemental awards are based on the current year's tuition. Because the Twenty-first Century Scholarship is designed to make up the difference in Frank O'Bannon Scholarships and tuition, the formula for a Scholar's total award is simple: $\text{Tuition} - \text{Frank O'Bannon Scholarship} = \text{Twenty-first Century Scholarship}$.

¹⁶ From SSACI Activity and Program Report for Academic Year 2008-2009.

¹⁷ From SSACI Activity and Program Report for Academic Year 2008-2009.

There are higher dollar limitations on awards to Twenty-first Century Scholars, but they are, by nature of the law, more complicated.¹⁸ Scholars attending a public college receive a grant equal to present year tuition and mandatory fees, and the grant is uncapped. The grant is composed partly of the Frank O'Bannon grant, if a student shows appropriate financial need, or entirely of funds from the Twenty-first Century Scholars appropriation if they do not show appropriate financial need. The tuition level varies from college to college (AY2010-11, from \$4,426 [VU] to \$9,026 [IUB]) and is not subject to an overarching cap. Scholars attending a proprietary college receive a maximum of ITCCI present year tuition (AY 2010-11 = \$3,252, adjusted to be divisible by three), and composed partly of the Frank O'Bannon grant, if they demonstrate need, or entirely of the Twenty-first Century Scholars appropriation if they do not. Scholars attending a private college receive a maximum of the average present year tuition of all public colleges except ITCCI (AY2010-11 = \$6,942) from the Twenty-first Scholars fund. If their Frank O'Bannon award is sufficiently low enough (some have no need and zero Frank O'Bannon award), that is the total amount the Scholar receives. No Scholar's total award will exceed the Frank O'Bannon cap (AY 2010-11 = \$7056) at a private college.

National Guard Supplemental Grant and Extension Scholarship

The Indiana National Guard Supplemental Grant (NGSG) guarantees that 100% of certain tuition costs will be met by the state for eligible members of the Indiana Air and Army National Guard. The National Guard Supplemental Grant began in the fall of 2000 as a means to recruit new members and retain present personnel.¹⁹ It is entirely administered by SSACI, although the National Guard helped to fund students as this scholarship was established, and, in addition to meeting all of SSACI's eligibility requirements, students must also meet the Indiana National Guard's eligibility guidelines. Each term, the student must be in active drilling status, cannot have been AWOL at any time during the twelve months prior to enrollment, and have all required paperwork completed and approved by the appropriate Indiana National Guard education office. The National Guard Supplemental Grant can only be used at an Indiana public institution. The award formula is similar to the Twenty-first Century Scholarship, although it is

¹⁸ IC 21-12-6-10

Amount of scholarship

Sec. 10. The amount of a scholarship is equal to the lowest of the following amounts:

- (1) If the scholarship applicant attends an eligible institution that is a state educational institution and:
 - (A) receives no other financial assistance specifically designated for educational costs, a full tuition scholarship to the state educational institution; or
 - (B) receives other financial assistance specifically designated for educational costs, the balance required to attend the state educational institution, not to exceed the amount described in clause (A).
- (2) If the scholarship applicant attends an eligible institution that is private and:
 - (A) receives no other financial assistance specifically designated for educational costs, an average of the full tuition scholarship amounts of all state educational institutions not including Ivy Tech Community College; or
 - (B) receives other financial assistance specifically designated for educational costs, the balance required to attend the college or university not to exceed the amount described in clause (A).
- (3) If the scholarship applicant attends an eligible institution that is a postsecondary proprietary educational institution and:
 - (A) receives no other financial assistance specifically designated for educational costs, the lesser of:
 - (i) the full tuition scholarship amounts of Ivy Tech Community College; or
 - (ii) the actual tuition and regularly assessed fees of the eligible institution; or
 - (B) receives other financial assistance specifically designated for educational costs, the balance required to attend the eligible institution, not to exceed the amount described in clause (A).

As added by P.L.2-2007, SEC.253.

¹⁹ From SSACI Activity and Program Report for Academic Year 2008-2009.

calculated by term: Term Tuition – Term Frank O’Bannon = National Guard Supplemental Grant. Unlike the Twenty-first Century Scholarship, the National Guard Supplemental Grant can be used by part-time students, by doing a credit-hour adjustment to reduce the award as necessary. All National Guard aid comes from the National Guard Supplemental Grant; none comes from the Part-time Grant program.

A small number of students (only seven in AY2009-2010) qualified for the National Guard Extension Scholarship. This scholarship is designed to meet the needs of former National Guard Supplemental Grant recipients who leave the Guard after serving on active duty outside the country. This program was intended to allow Guard students to obtain education that was not available while they were deployed, but not interfere with the recruitment and retainment goals of the Indiana National Guard. The Extension Scholarship is not available to part-time students.

Because the Twenty-first Century Scholarship and National Guard Supplemental Grant cover the same expenses, it is not possible to claim both awards. A student who is eligible for both a Twenty-first Century Scholarship and National Guard Supplemental Grant will have the difference between the Frank O’Bannon award and tuition made up by the Twenty-first Century Scholarship, and receive nothing from the National Guard Supplemental Grant. Additionally, these awards must be paid to the students even when the total dollar amount for all eligible students exceeds appropriations. Currently, the only means SSACI has to meet awards in excess of appropriations is to take money from the Frank O’Bannon Higher Education Award fund. The Twenty-first Century Scholarship awards are far outpacing the fund’s appropriations, causing SSACI to move money out of the need-based Frank O’Bannon Scholarship HEA fund into the Twenty-first Century Scholarship. This is an important point and will be discussed in more detail later in this study.

Occupational Grants

In addition to the need-based and supplemental grant awards, the state also distributes money through several specialty award programs: the Minority Teacher/Special Services Scholarship, the Nursing Scholarship, and the Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO). These three scholarships are “billed” awards; all scholarships discussed up to now are “grant” awards.²⁰ The Minority Teacher Scholarship was created in 1988 to address the critical shortage of Black and Hispanic teachers in Indiana. In 1990, the program was expanded to include the field of Special Education, and in 1991 the fields of Occupational and Physical Therapy were added. As a billed award, SSACI allocates Minority Teacher/Special Services Scholarship funds to the institutions to award to qualified students at the college’s discretion. Minority students demonstrating financial need may receive up to \$4,000 annually; for non-minority students the maximum award is \$1,000 and is not need-based. The Special Education, Occupational Therapy, and Physical Therapy awards are also a maximum of \$1,000. Students are required to work in Indiana after graduation, or else they must reimburse the state for the full amount of the scholarship plus administrative costs. The Scholarship further specifies that occupational or physical therapists must practice in an

²⁰ Generally speaking, grant award recipients and the award amounts for which they are eligible are known to SSACI in advance; billed award recipients are identified by the college, and the college informs SSACI of the students and their correct payment amounts.

accredited school, vocational rehabilitation center, community mental retardation or other developmental disabilities center, for three years out of the first five years after certification.²¹

The Nursing Scholarship was created in 1990 to promote qualified individuals to pursue a nursing career in Indiana. This scholarship is also a billed award where SSACI allocates scholarship funds to eligible institutions to award to qualified students at their discretion. The maximum annual scholarship is \$5,000. Eligible students must demonstrate financial need, and agree, in writing, to work as a nurse in an Indiana health care setting for at least two years following graduation. In 2009, new restrictions were added specifying the types of workplaces that fulfill the post-graduation service requirement. Scholarship recipients must agree, in writing, to practice as a registered nurse or licensed practical nurse in Indiana, providing direct patient care in the following locations: an acute care or specialty hospital, a long term care facility, a rehabilitation care facility, a home health care entity, a hospice program, a mental health facility, or a facility located in a shortage area. Recipients who fail to fulfill the terms of their scholarship agreement must reimburse the state for the full amount of the scholarship plus administrative costs.²²

Both the Minority Teacher/Special Services Scholarship and Nursing Scholarship stipulate that recipients must complete their programs within six years of first receiving the scholarship. The scholarships are also renewable as long as the student maintains the minimum GPA to remain in the program or at least a 2.0 GPA on a 4.0 scale if there is no college-determined minimum, and reapplies each year. When students who receive the Minority Teacher/Special Services Scholarship or the Nursing Scholarship do not fulfill the terms of the scholarship, it places a disproportionate administrative burden on SSACI to pursue repayment.²³

Children of Veterans and Officers Program

One of the final state aid programs discussed here is the most complex: The Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO; often referred to by veterans as CDV, for Children of Disabled Veterans, by far the largest subgroup of recipients). In statute, the CVO Program provides a fee remission by public colleges to eligible children of certain disabled or killed Indiana veterans, eligible children and spouses of certain members of the Indiana National Guard killed while serving on state active duty, eligible children and spouses of certain Indiana public safety officers killed in the line of duty, and, as of 2009, Purple Heart recipients who entered service from permanent residency in the state of Indiana. In practice, since 2001, the CVO program has had a state appropriation to SSACI to administer as a grant in place of the fee remission structure, although the Commission does not have statutory authority over the program. As a supplement to other state financial aid, the grant pays 100% of tuition and regularly assessed fees;²⁴ it does not cover other fees such as textbooks or room and board.²⁵ There are four ways to qualify for the CVO program, each of which has multiple programs with differing restrictions as well as allowed benefits:

²¹ From SSACI Activity and Program Report 2008-2009.

²² From SSACI Activity and Program Report 2008-2009.

²³ See Emerging Issues.

²⁴ Prior to 2010, CVO programs paid course related mandatory fees – a somewhat more expanded definition of fees. Regularly assessed fees are the same fees paid for Frank O'Bannon Grant recipients.

²⁵ A new CVO program has just been added, which pays for textbooks. When the Soldier's and Sailor's Children's Home was closed in 2009, a small fund composed of charitable donations for students' recreation was passed to the

Four Parts to CVO:			
Child of Disabled Veterans (CDV)	Child/Spouse of Indiana National Guard (ING)	Child/Spouse of Public Safety Officers (PSO)	Purple Heart Veterans (PHV) themselves
<ul style="list-style-type: none"> • Pupil in Soldier's and Sailor's Children's Home • Child of Purple Heart Recipient or Wounded Veteran • Child of Deceased or Disabled Veteran • Child of POW/MIA of Vietnam War 	<ul style="list-style-type: none"> • Child of National Guard Member Killed in the Line of Duty • Spouse of National Guard Member Killed in the Line of Duty 	<ul style="list-style-type: none"> • Child of deceased Public Safety Officer • Spouse of deceased Public Safety Officer • Child of State Trooper Permanently Disabled • Spouse of State Trooper Permanently Disabled 	<ul style="list-style-type: none"> • Veteran who is a Purple Heart Recipient

In total, there are thirteen distinct parts to the CVO program (See Appendix for Table for CVO Program Benefits and Restrictions). The CVO program was originally a fee remission program, run differently by each individual public college, and it was transferred to SSACI to bring uniform application of policies across all institutions, and tracking of credit hour usage. It is now the institutions' responsibility to bill SSACI for the fees incurred by CVO eligible students. All tuition-specific aid from any source (state, institutional, private, or federal, including the new GI bill) must be applied before the CVO fee remission benefit is applied. Students are not required to file a FAFSA by the March 10th deadline to receive CVO aid, but they are required to file a FAFSA before the aid will be disbursed. This means that CVO students who could have qualified for a Frank O'Bannon Scholarship would not receive it unless they submitted a FAFSA by March 10th. All CVO applications must be certified by the Indiana Department of Veterans Affairs, the Military Department of Indiana, or SSACI, as appropriate to the program. Some CVO programs allow students to use funding for graduate studies, but these courses are limited to funding at the undergraduate tuition level, and most programs limit payment to 124 credit hours.²⁶

Timing of the Award Process

Once SSACI receives all of the information necessary to set award caps, it works from May 15th to early June generating and verifying SSACI grant awards (for Frank O'Bannon, Twenty-First Century Scholars, and to a lesser extent National Guard). These SSACI grant award offers are made to students in the second week of June.²⁷ The institutions which primarily serve traditional students – four-year public colleges and independent/private colleges - find this notification schedule tardy because students typically need to make commitments to institutions by May 1st. This issue is particularly difficult for colleges when packaging aid for freshmen, since as tuitions rise and more students compete for aid each year, colleges compete for students with each other and other colleges around the country more and more on the basis of financial aid. Institutional enrollment managers report that students will tend to prefer colleges that can be

Dept. of Health, which used it to pay for textbooks for college, recreation not being feasible after the closing of the Home. In spring 2010 the fund was passed to the Commission to administer for these students. Since these students already qualify under CVO for tuition and fee remission, the remaining recreation funds are used to pay for textbooks.

²⁶ Information from SSACI CVO Program Guidelines document.

²⁷ This is always subject to information constraints – if there is no state budget by mid-May, colleges cannot set tuitions, and the Commission cannot set award levels.

definite on aid levels to those colleges who have not yet announced financial aid packages, even if those turn out to be lower aid packages than the aid that is solidified later in the decision process. On the other side are colleges whose demographic is adult students or those who must go part-time, typically ITCCI students, to a lesser extent student attending the Indiana University and Purdue University regional campuses, and certainly students attending proprietary/for-profit colleges. These colleges find August to be their biggest admission month, and these students would benefit from pushing back the FAFSA deadline or by other means removing it as an obstacle to non-traditional students, who often decide later in the calendar to attend college.

SSACI actually gives 50% of its estimated total fall semester spending to most institutions in August as an up-front payment on the fall semester spending.²⁸ All semester long the institutions exchange files weekly with SSACI to claim outstanding offers for each student still qualifying for the award, and SSACI sends final fall semester payments to institutions weekly student by student throughout the end of the semester. Students qualify for a full-time award based on still being present attending college by either a census date or refund date, depending on the institution. These dates usually occur four weeks into a semester for most institutions. Institutions that use census dates simply record the status of students on that set date, and use that information to claim or inactivate full-time awards. Colleges that use refund dates have different dates within the first weeks of the term at which different refund levels are honored. For instance, if a student drops a course within the first week the student may be entitled to a 100% refund on the course (and thereby the institution would also refund to the state any state aid associated with the change – and, more importantly, a student could be pulled from the waitlist to take that class). If a student drops out completely in the fifth week of the term, they may be entitled to a 50% refund, but most colleges do not refund at all past the four week mark, because that seat is used up much as an empty airline seat is used up when the plane flies. Colleges use their census or refund date, or the SSACI specified four week mark, whichever is soonest, to determine full-time status. The functioning of the refund and census dates provide a good example of the trust SSACI needs with each of its college partners, since the responsibility for enforcing certain policies often falls on the college. It can happen that colleges that use census dates count a student as a full-time student on the census date, but that student subsequently drops down to part-time or drops out completely, and yet SSACI still pays the student's aid as if the student were a full-time student. Census dates can result in the state's paying for potentially wasted semesters.

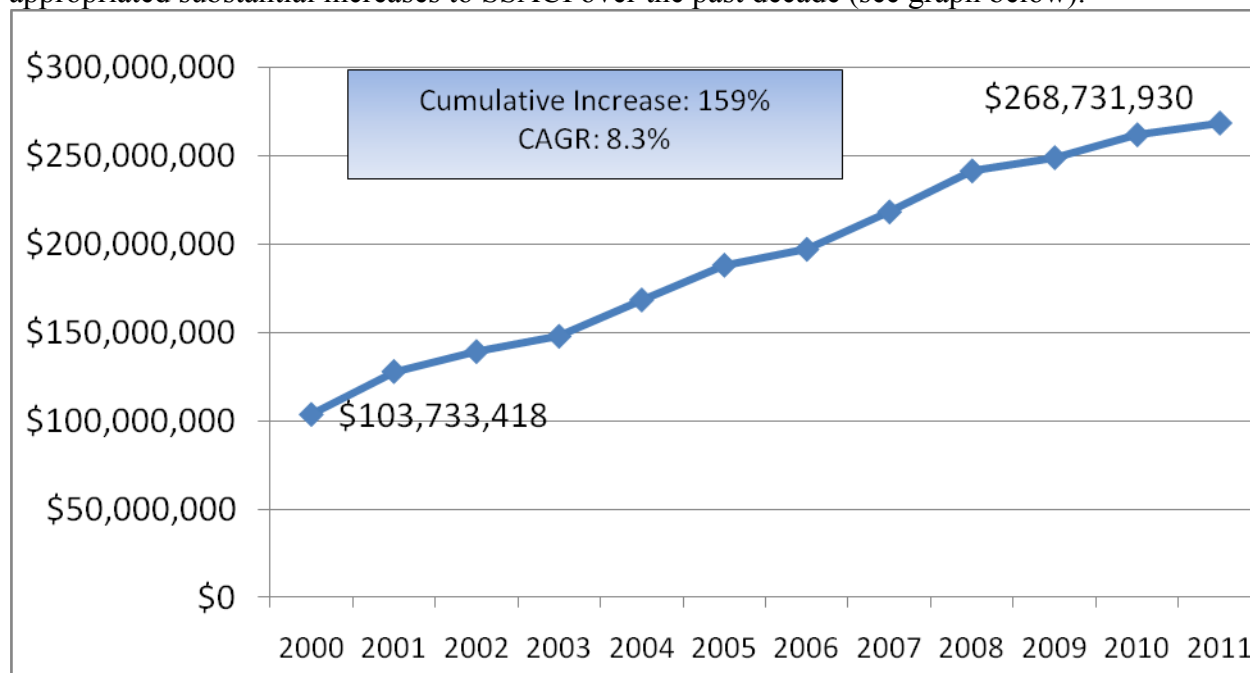
For the spring semester, SSACI gives out 50% of its estimated total spring semester spending in January. The file exchange process continues through May, and SSACI sends out final semester payments weekly as student accounts are reconciled at this time. Similar schedules are followed for institutions on trimesters or quarters. By statute SSACI does not give out summer aid. SSACI does not have sufficient aid within a single academic year to pay for year-round (summer) attendance, even if students are still limited to eight total semesters, without further decreasing the annual per-student amount (lowering the cap) (See Emerging Issues).

²⁸ Colleges whose term by term usage is variable – quarter calendar colleges, which are usually proprietary/for-profit – do not receive upfront payments; all payments are made student by student. Colleges are expected to hold students harmless of late fees if they are eligible for an award but the college has not actually claimed it yet.

Issue 1: *The limits established for awards and the differences between the limits established for private and public universities.*

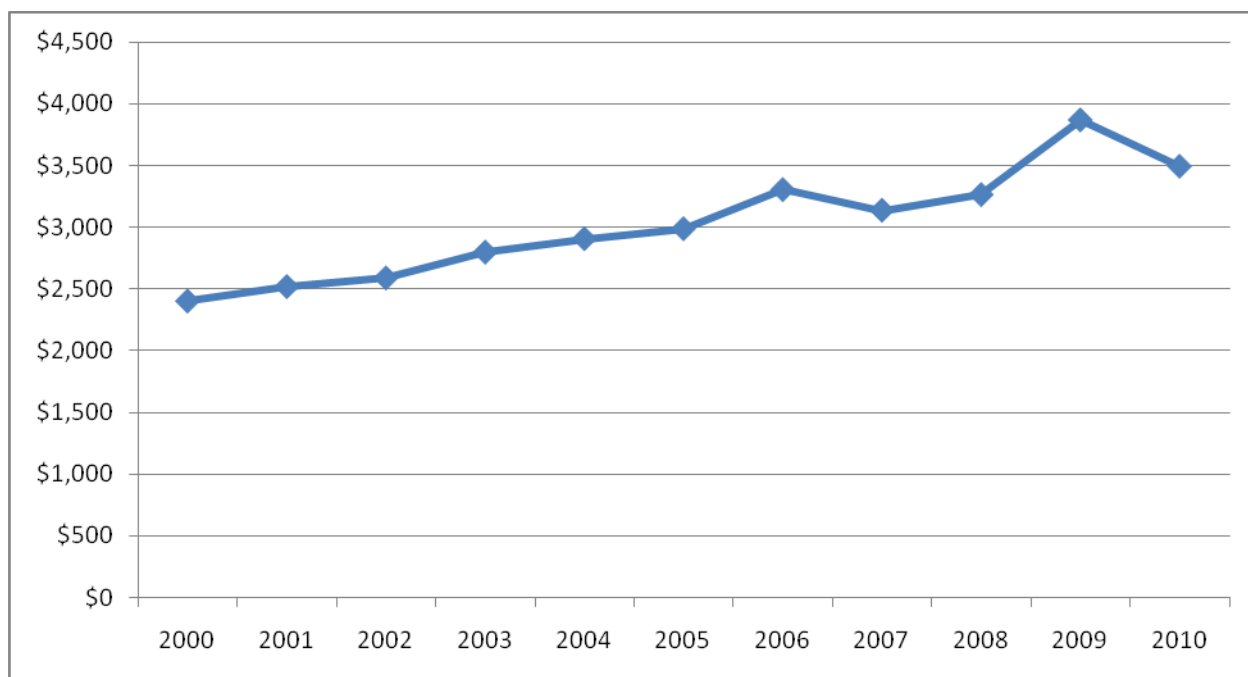
There will always be an imperative for the state to distribute financial aid in such a way as to guarantee that the budget for aid does not exceed available appropriations. There must be a mechanism in place for limiting aid when need exceeds state funding limits. Even with this rationing mechanism, SSACI makes more offers than they have funds, because students do not use all of the funds offered. There are two broad ways to set awards while meeting budget constraints. The alternatives involve a trade-off between fixed aid levels or fixed deadlines; some states use one, some the other. The method that Illinois uses – no fixed deadline – is to fix aid levels, for example at \$2000 for a year for a student whose family income is below a certain level, while keeping the application time period open for others until the budgeted funds are depleted. Indiana uses the other method – no fixed aid level – wherein there is a fixed time period to apply (January 1st through March 10th each year) and aid is distributed to everyone who applied on time and demonstrated need. Aid level limits are not known until the total number of qualified applicants is known. These shifting aid levels in Indiana are its caps; the limits on the awards to students at public and private colleges that allow the Commission to balance the aid budget. At this time, this study is not recommending a wholesale shift in methodology, although that may be desirable in the future (see Emerging Issues).

In spite of the challenging financial environment, the Indiana General Assembly has appropriated substantial increases to SSACI over the past decade (see graph below).



However, even these appropriation increases have not been able to keep up with students demand for state financial aid. The demand for state financial aid has been largely driven by a combination of student enrollment increases, tuition increases at public, private and proprietary

colleges, and the state's economy as it relates to Hoosier incomes. As a result, even though the state has been increasing expenditures on state financial aid, the amount of financial aid per student has been declining. See graph below for the average SSACI award per student.



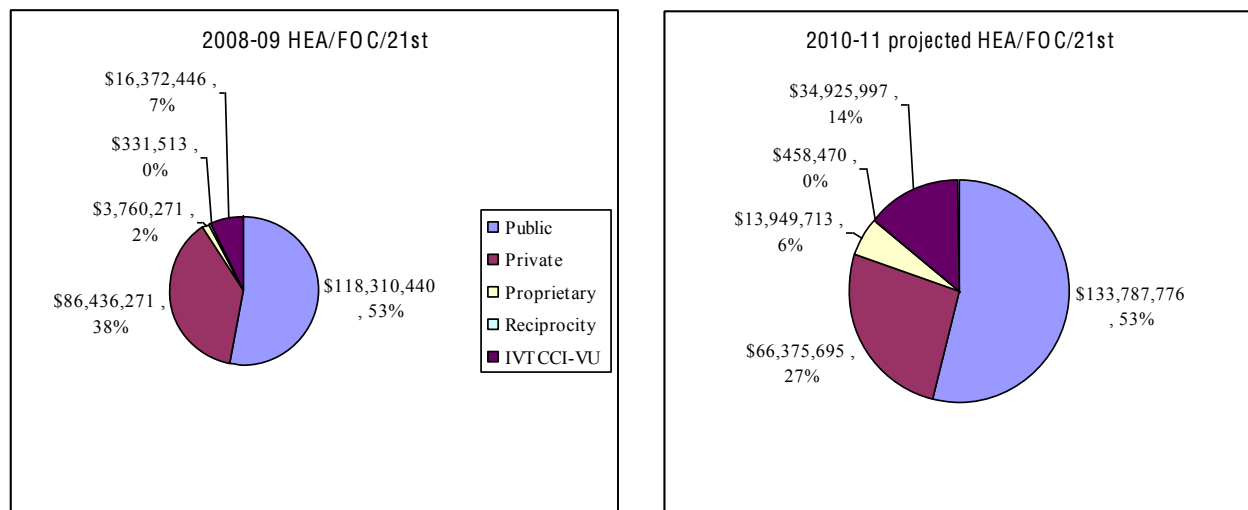
The budget bill asks for a discussion of the limits established for public and private universities. The difference in these limits is specified in each biennial budget bill. Students attending private colleges receive higher levels of SSACI aid to compensate for the appropriations made by the state directly to public colleges. In determining the distribution of need-based aid, however, the difference in aid levels to public college students and private college students is not the only balance that must be struck. This issue encompasses a number of questions, but at the heart of the issue is that Indiana has generally preferred that students have choice among colleges. To further student choice, aid follows the student to the college of the student's choice. This discussion sticks with that premise, and explores the balances that must be achieved with state aid.

Adult vs. Traditional Students: Implications for Aid

In designing Indiana's need-based aid program, the General Assembly wanted aid to follow the student. This has meant that as student demographics have changed, the distribution of aid has changed as well. Fewer students who qualify for need-based aid attend private colleges or even flagship public four-year colleges. More students are older than the traditional 17 to 24 year-olds. Many students are in their late 20's or early 30's, have jobs, housing, and families of their own. Many adults who have lost jobs are returning to college to gain training for new employment, and more jobs today require education beyond high school. As a result, in the last two years, need-based student demographics have switched from one-third adult students and two-thirds traditional students to slightly more than half of adult students and slightly under half of traditional students. Consequently, enrollments at Indiana colleges that cater to adult students,

typically Ivy Tech Community College of Indiana (ITCCI) and proprietary/for-profit colleges have soared.

This has greatly impacted aid for the traditional student population as caps have dropped resulting in less aid *in toto* to students attending private and public four-year colleges and more to students attending ITCCI and the proprietary colleges. Any discussion of aid distribution between public and private colleges must begin by acknowledging that they are far from the only players, while still receiving the bulk of Indiana need-based aid. (See the following charts for projected distribution of aid for 2010-11 and distribution in 2008-09.)



There are several differences between the needs of adult and traditional students.

Adult students:

- Often need to attend part-time.
- Often do not know that they plan to attend college by March 10th of the year.
- Need flexible schedules but lower levels of aid overall (i.e., have housing already).
- Require non-traditional delivery methods of instruction, such as on-line course options, evening and weekend schedules and accelerated degree programs.
- May attend school year round, or start and stop coursework at times not related to a traditional school year calendar.

Traditional students:

- Can reasonably be expected to go full-time, with some caveats.
- Should be encouraged to plan for college from an early age, so that college prep courses can be started as early as middle school.
- Prosper with strong campus integration (i.e., living on campus) and employment that can be obtained within the college campus.

Many states tailor their aid programs in such a way as to accommodate both types of students according to their different needs. In those states, adult student aid is distributed through community colleges, is usable for part-time study, is available across the year, and is meshed

with federal Pell aid so as not to offer more aid than is necessary to cover tuition and fees (room and board being the adult student's financial responsibility).

By statute SSACI does not give out summer aid, although there is a growing body of evidence that students can be very successful attending throughout the summers and graduating after three years instead of the traditional four, and further, there is some support within policy circles for encouraging programs like these. As currently constructed, SSACI does not have sufficient aid within a single academic year to pay for year-round (summer) attendance, even if students are still limited to eight total semesters, without further decreasing the annual per-student amount (lowering the cap). Lowering the cap would be necessary to allow SSACI to stay within budget, providing the same yearly aid levels essentially across three semesters instead of two.

Recommendation #1: The state should consider establishing a separate fund to meet the financial needs and aspirations of adult students:

- (A) Consider Pell in the SSACI aid calculation for adult and independent students when the combined federal and state aid exceeds the cost of attendance. This would ensure these students receive the maximum amount of financial aid for all college costs while reducing state expenditures.
- (B) Encourage colleges to consider late applications for adult students for part-time aid or set aside more and separate part-time state aid for ITCCI or other colleges whose demographic is similar to Indiana's adult student population.

Recommendation #2: The state should allocate state aid to support student degree completion through acceleration and transfer models:

- (A) Allow SSACI aid to be available for summer school to the extent that students could complete in three years.
- (B) Increase the Frank O'Bannon grant subsidy to 100% of the relative caps for all students after they complete an associate degree and successfully transfer to a four-year college. This encourages students to complete one-half of their baccalaureate degree at the less expensive and more adult friendly community college before beginning at a four-year school. Most students attending the community college have not obtained an Academic Honors diploma and are, therefore, only eligible for the 80% subsidy.

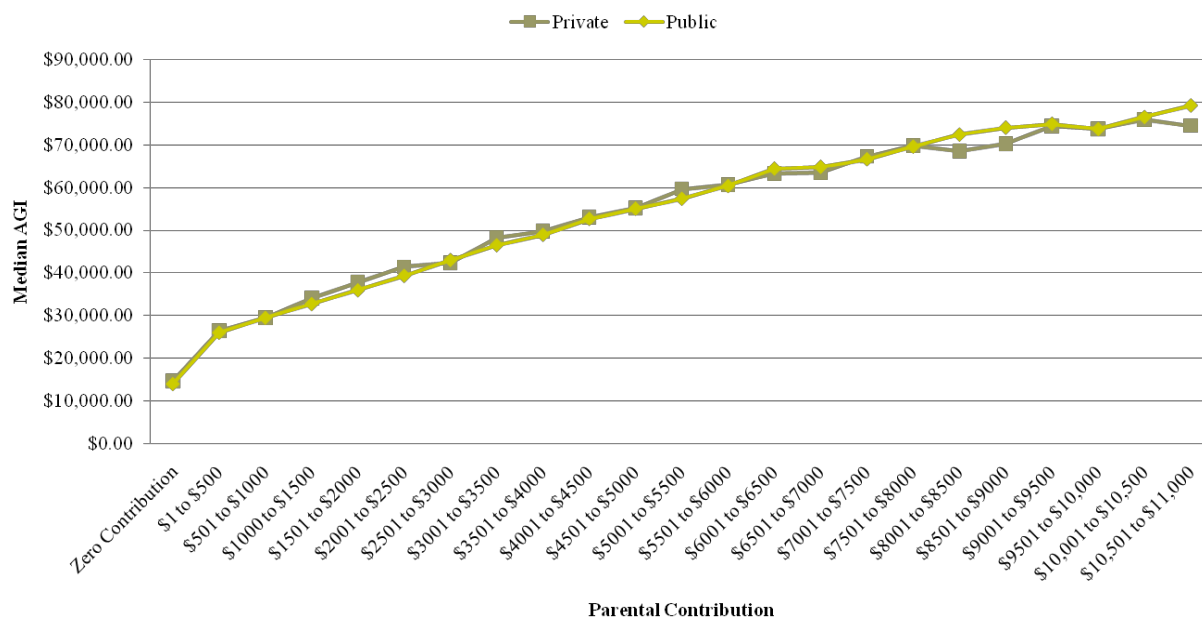
Four-year public and private colleges have at least one goal in common which differs from community colleges and proprietary colleges: all of these colleges want to be able to send perspective students their financial aid offers ("packages") as soon as possible, since colleges compete with each other for traditional students, particularly first-time freshmen. In the interests of financial aid planning for Hoosier families and of preserving Indiana colleges' ability to package freshman aid, there is no recommendation in this study that supports moving the deadline for full-time students to file a FAFSA any later than the current March 10th deadline. While it might be of marginal help to colleges in packaging aid, it might be possible and desirable to move the May 15th FAFSA correction deadline up closer to the tax filing date of April 15th.

Families are not getting accurate information about what financial aid is available and likely to be made available for a student planning to attend college. An enormously useful tool that could aid families in planning for college is to provide a widely available, universal College Cost Estimator. Federal law mandates that each college provide a “Net Cost Calculator” on their individual websites, but the federal law requires only partial financial aid information and gives each college wide latitude in its design. Moreover, a student must go website to website to discover information from each college. An on-line comprehensive College Cost estimator for available financial aid could provide at no cost to families comparative financial aid estimates for multiple colleges. Moreover, the Estimator could be populated with updates year-round to accurately reflect late college financial aid packages.

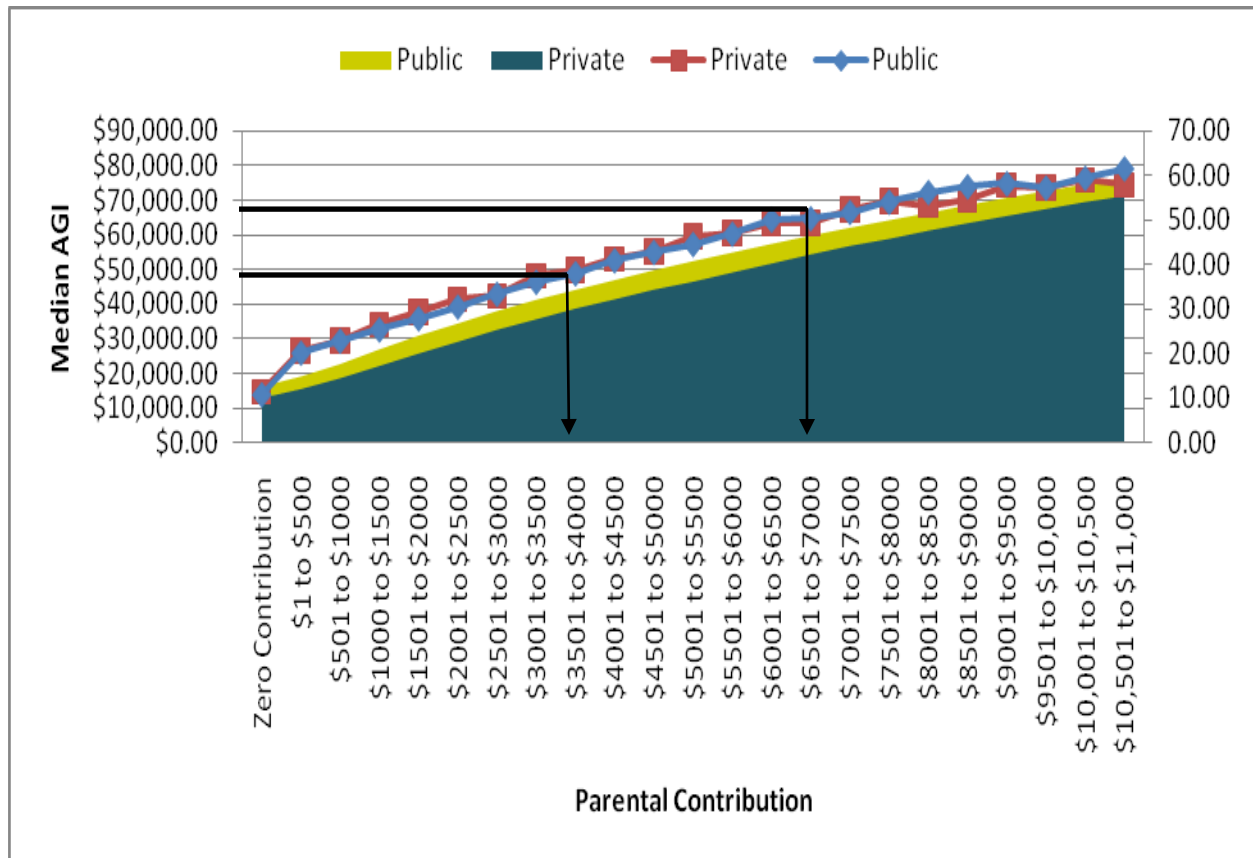
Recommendation #3: The state should develop a customized state-wide college costs estimator. The service would be free to the public and be available online through CHE’s webpage, the state’s Learn More Indiana initiative and other outlets. The Estimator should include estimates of Expected Family Contribution (EFC) using the federal methodology and resulting federal, state and institutional aid eligibility at Indiana colleges and universities (including the seven public systems and the 31 independent colleges), for both dependent and independent students, with the ability to generate side-by-side comparisons of Indiana colleges.

Public and Private/Independent College Award Levels

Demographically speaking, there is little difference between a student who chooses to attend a public four-year college and one who chooses to attend a private college. The graph below is a cumulative plot of all dependent 2008-09 FAFSA filers indicating intention to attend a public or private four year college. It illustrates that for a given federally determined contribution level, the median AGI for that contribution is very similar among all Indiana students, and students of all income levels attend both types of colleges.



When one asks, “How far up into the middle class can state aid reach? Do only the very poor receive state aid?” facts demonstrate that even with the lower caps of recent years, Indiana is a very generous state in terms of student aid levels. The median three-year AGI for Indiana as stated in the US Census data is \$48,095.²⁹ This represents a contribution level from the graph above of about \$3000 to \$3500. How does this compare to the SSACI award limits?



In 2009, the last year of relatively high caps, award limits were \$10,992 for private college students and \$6,096 for public college students, both well in excess of the “middle class” contribution level of \$3000 to \$3500. In the 2010-11 academic year, caps will be \$7,056 and \$3,912 for private and public college students, respectively.

The private colleges of Indiana are an integral part of its higher education system. They enroll 85,000 students and contribute substantially to the education of Indiana residents. The stated purpose of allowing students to take SSACI grants to private colleges is to allow a “freedom of choice” for students. Further, a higher cap for private schools makes public policy sense in that private schools are not receiving the state subsidy that public schools receive.

²⁹ 2006-2008 median three year adjusted gross income, US Census.***

Recommendation #4: The state should affirm freedom of choice for students by maintaining the current formula for distribution of financial aid between public and private institutions.

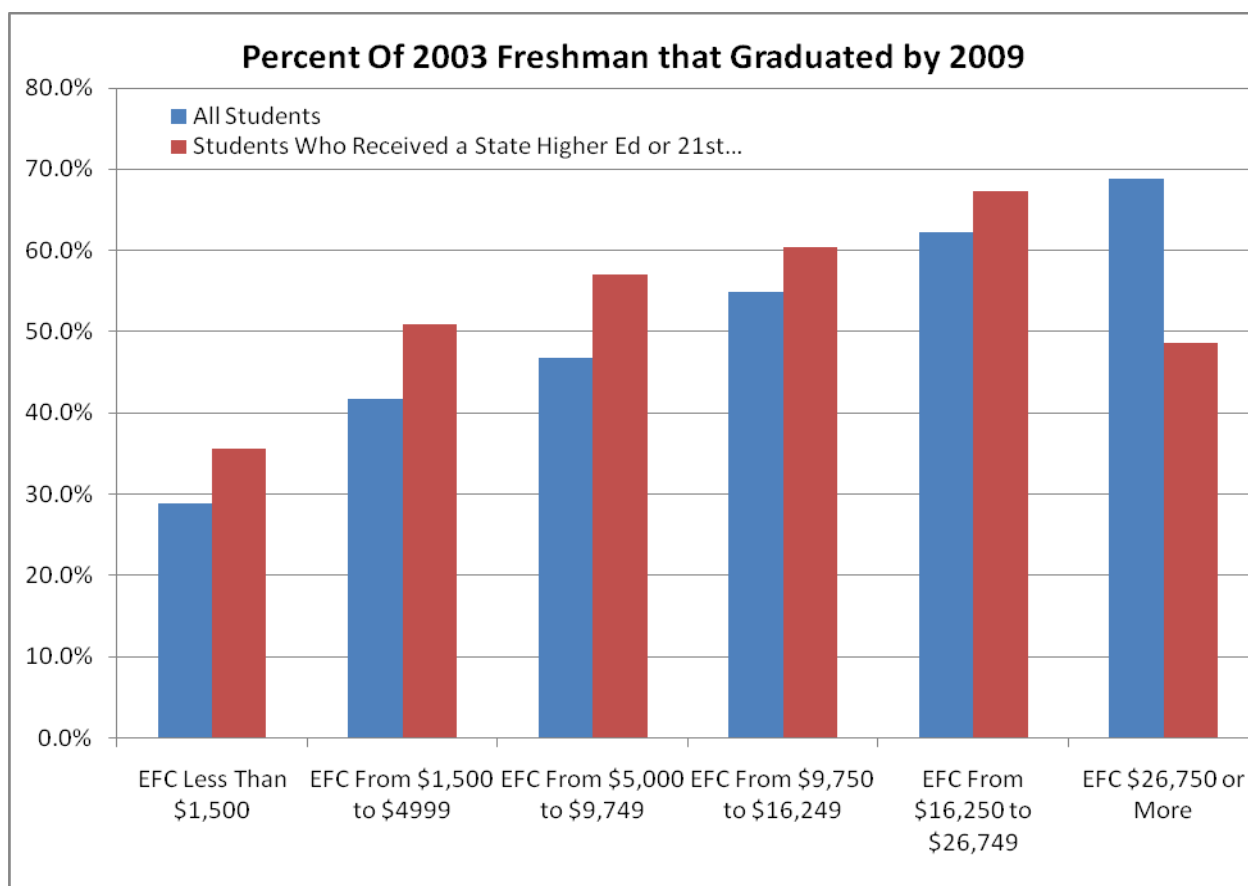
Proportionality

If a student attends a private college, the Frank O'Bannon Grant is divided into two parts. The reason for this is as follows: The General Assembly appropriates a separate budget for the FOC award. This money is not allowed to be transferred among any other accounts by law. Students at private colleges who receive the Frank O'Bannon Grant see both components on their award letter. It may seem confusing to have two funds from which the Frank O'Bannon Grant comes, but students would receive exactly the same dollar award if there were only one fund from which to draw the money.

There are four ways to avoid leaving unspent FOC funds on the table; 1) allow public and private caps to be adjusted at different rates, 2) allow Freedom of Choice funds to be transferred as necessary, 3) appropriate more money to the Higher Education Award and less to Freedom of Choice each biennium as necessary, or 4) merge the Freedom of Choice fund with the Higher Education Award fund.

Recommendation #5: The state should merge the Freedom of Choice fund with the Higher Education Award fund into a single program with one appropriation. If these were combined into one fund (name to be determined, legislative changes needed), no student's award amount would change and the state would never be in the position of leaving money unspent in a non-transferable fund. Caps could continue to reflect the legislature's wish for proportionality without needing to legislate details within the Frank O'Bannon award.

None of these issues have addressed the desire of the state to achieve measurable progress toward degree attainment in conjunction with state aid awarded to students. Are the awards the state provides achieving access, success or both? What is the main goal of the state with respect to need-based aid? In the recent past, the state has focused on access for Indiana students' ability to afford college, but has not focused on the successful completion of college degrees. As was suggested in the introduction, the state, and indeed the nation's, attention is turning to increasing college completion.



Indiana has extensive data from the public institutions through the Commission's Student Information System (SIS), including data on federal, state, and institutional aid awards, credit hours reported by semester, both attempted and successfully completed (the latter for the last few years only), transfer students (including the credit hours accepted for transfer by the receiving institution from the previous campuses the student attended), and the month and year the student earned their degree. The entire SIS record for each student is linked to employment outcome data through the Indiana Workforce Intelligence System (IWIS). However, the SIS data could be enhanced by collecting data on all certificate programs that are less than one year in length (the Commission only has statutory authority to authorize programs of one year in length or longer). Additionally, the ability to analyze course-level data could provide greater insight into the relationship between student financial aid and degree completion, and would allow the state to report on the several metrics in Complete College America, which call for course-level data. The Indiana Department of Education is in the process of implementing a system to collect data on high school courses, access to which would greatly enhance the state's ability to understand the link between high school preparation, financial aid, and degree completion.

The Independent Colleges of Indiana (ICI) uses the Commission's SIS guidelines to collect data from most of its member institutions, and thus collects comparable data to that available for the public sector, although the data collected by ICI is not currently available to the state. Utilizing that data would greatly enhance the state's understanding of the relationship between financial aid and degree completion for ICI institutions. Incorporating the ICI data into

IWIS would also add important insights into degree completion and workforce outcomes. Indiana currently collects no student-level – let alone detailed SIS data – for students attending proprietary institutions that are eligible for state student assistance. Having access to unit-record student data from the proprietary institutions – a fast-growing, increasingly important sector – would round out the state’s understanding of financial aid and degree completion, and provide a complete picture of postsecondary opportunities available to Hoosiers.

Recommendation #6: The state should expand its collection of current Student Information System (SIS) data to include the independent and proprietary sectors, certificate programs below one year, and course-level information from both colleges and high schools. Indiana currently does not have access to the SIS data collected from the independent institutions, nor does it have access to any student-level data from those proprietary institutions that are eligible for state student financial aid. Because it does not have statutory authority to authorize programs less than one year (with some exceptions), CHE does not collect data on certificate programs below one year in length. Currently, Indiana does not collect any course-level data but the Indiana Department of Education is in the process of implementing a collection mechanism for such information.

Another concern raised by college enrollment managers is that some students use up several semesters of SSACI aid while making no real progress toward a degree. SSACI can tighten its Frank O’Bannon grant regulations to encourage college success. Under existing SSACI rules, students are eligible to receive eight semesters of SSACI aid, and must meet their college’s Satisfactory Academic Progress (SAP) requirements to continue to receive aid. However, students may receive aid for failed semesters (up to a certain point). Colleges may count a student as full-time on the census date, but that student subsequently may drop down to part-time or drop out completely, and SSACI still pays the student’s aid as if one were a successful full-time student.

Recommendation #7: The state should consider requiring students who receive a SSACI grant to achieve a more stringent satisfactory progress requirement before additional SSACI aid would be disbursed in future semesters.

Issue 2: The extent to which criteria for establishing the eligibility of an applicant should consider receipt of Pell Grants, other wrap-around assistance provided by a university, tax credits, and other assistance.

Sources & Types of Aid

Most students finance their education by combining different types of financial aid from different sources with their families' contributions. Financial aid is often divided into grants and scholarships (which do not need to be repaid), loans (which do need to be repaid), and work programs. The major sources of financial aid include the federal government, state government, institutions, and private organizations.

According to a report issued by CollegeBoard, federal sources of financial aid accounted for 68% of total student aid in 2008-09.³⁰ This aid combines federal grants, loans, work-study, and education tax-credits and deductions. The largest federal grant program is the Pell Grant program. Pell Grants are distributed to undergraduate students based on financial need, cost of attendance at the student's chosen institution, family size, and full-time/part-time status. For 2010-2011, Pell Grants range from \$550 to \$5,550. Students with family incomes up to \$60,000 may be eligible for Pell Grants, however, most Pell awards go to students with family incomes below \$30,000.³¹

The largest source of federal financial aid comes in the form of federal loans. There are several loan programs, and unlike grants, these funds must be repaid. Students can receive Perkins or Stafford loans, while parents can receive Parent Loans for Undergraduate Students (PLUS) loans. Stafford loans may be subsidized or unsubsidized, depending on demonstrated financial need. Students with financial need may be eligible to receive subsidized loans, where the federal government pays the interest on the loan while the student is in school and at certain other times. Students with unsubsidized loans must pay all the interest on the loan. Until this year, Stafford and PLUS loans were either Federal Family Education Loan (FFEL) Program loans or Direct loans (William D. Ford Direct Loan Program). Private lenders were the source of FFEL loans, whereas the federal government was the source of Direct Loans. The Student Aid and Fiscal Responsibility Act passed by Congress in March 2010 converts all new student loans to federal loans, effectively eliminating the FFEL program. Loans for education typically have lower interest rates than other types of loans.³²

Federal work-study programs and education tax credits and deductions account for only 1% and 5% of total undergraduate aid, respectively.³³ The three federal education tax credits are the American Opportunity Credit, Hope Credit, and the Lifetime Learning Tax Credit. The American Opportunity Credit is an expanded version of the Hope Credit, available for 2009 and

³⁰ "Trends in Student Aid 2009" http://www.trends-collegeboard.com/student_aid/.

³¹ Minnesota Office of Higher Education http://www.getreadyforcollege.org/gPg.cfm?pageID=139&1534-D83A_1933715A=f07538b484e4efd0ba6d933da0d63412d7e48b3c.

³² National Association of Student Financial Aid Administrators <http://www.nasfaa.org/subhomes/doingit/affordit2.html>.

³³ "Trends in Student Aid 2009" http://www.trends-collegeboard.com/student_aid/.

2010 through the American Recovery and Reinvestment Act. The Hope and Lifetime Learning Credits are available to tax filers with an AGI up to \$60,000 (\$120,000 for joint filers), while the American Opportunity Credit is available to tax filers with an AGI up to \$90,000 (or \$180,000 for joint filers). While the American Opportunity Credit may be up to \$2,500 per student and may be applied for the first four years of post-secondary education, the Hope Credit only goes up to \$1,800 per student and may only be applied for the first two years of post-secondary education. The Hope Credit and Lifetime Learning Credit have higher amounts for students in Midwestern Disaster Areas. The Hope Credit goes up to \$3,600 for students in Midwestern Disaster Areas, and these students are the only ones claiming the Hope Credit instead of the American Opportunity Credit while it exists. The Lifetime Learning Credit goes up to \$2,000 (\$4,000 for students in Midwestern Disaster Areas) per tax return and may be claimed for all years of postsecondary education. The Lifetime Learning Credit is non-refundable, meaning that if the tax credit is greater than the tax liability no money will be refunded. The American Opportunity Credit and Hope Credit are partially refundable.³⁴

In addition to these federal tax credits, Indiana offers a tax credit for contributions made to the *CollegeChoice 529 Investment Plan*. The tax credit is 20% of up to \$5,000 contributed, resulting in a tax credit of up to \$1,000. Indiana is one of the few states to offer the far more generous tax credit instead of a tax deduction for contributions to 529 plans.

Again, data is lacking with regard to Indiana families participating in Indiana's 529 College Savings plan, particularly once the funds are withdrawn from the plan. The small amount of information we know is shown below.

The table below shows the Adjusted Gross Income of Indiana income tax files from calendar year 2007 (the most recent available data), the number of filers in each income category and the total tax credits claimed by income category. This tax credit is mostly beneficial to families with incomes over \$50,000. Two-thirds of the tax credits go to families with adjusted gross income over \$100,000. Families are free to withdraw funds from a 529 plan to pay college expenses. Although distributions from a 529 plan must be used to qualified college expenses or face substantial tax penalties, there is no substantial data as to how the distribution from Indiana's 529 plan funds are spent.

State AGI	# of Filers	Total Credit	% by income sector	cumulative % by income sector	Average Credit
\$1 to \$24,999	781	\$243,963	0.9%	100.0%	\$312
\$25,000 to \$49,999	2,525	\$1,547,845	5.8%	99.1%	\$613
\$50,000 to \$74,999	4,812	\$3,046,956	11.4%	93.3%	\$633
\$75,000 to \$99,999	6,221	\$4,231,386	15.8%	81.9%	\$680
\$100,000 to \$199,999	12,835	\$10,313,600	38.6%	66.1%	\$804
\$200,000 to \$499,999	5,854	\$5,461,587	20.4%	27.5%	\$933
\$500,000 to \$999,999	1,397	\$1,366,427	5.1%	7.1%	\$978
\$1,000,000+	538	\$525,651	2.0%	2.0%	\$977
Total	34,963	\$26,737,415	100.0%		\$765

³⁴ Internal Revenue Service <http://www.irs.gov/publications/p970/index.html>.

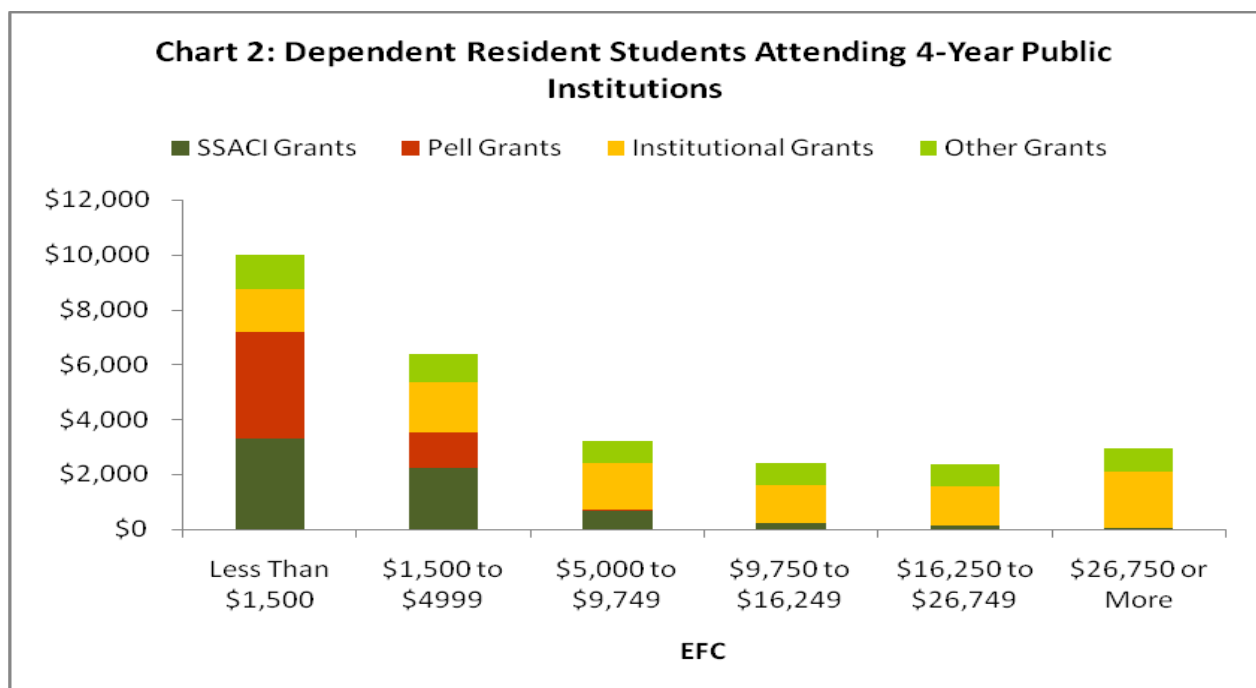
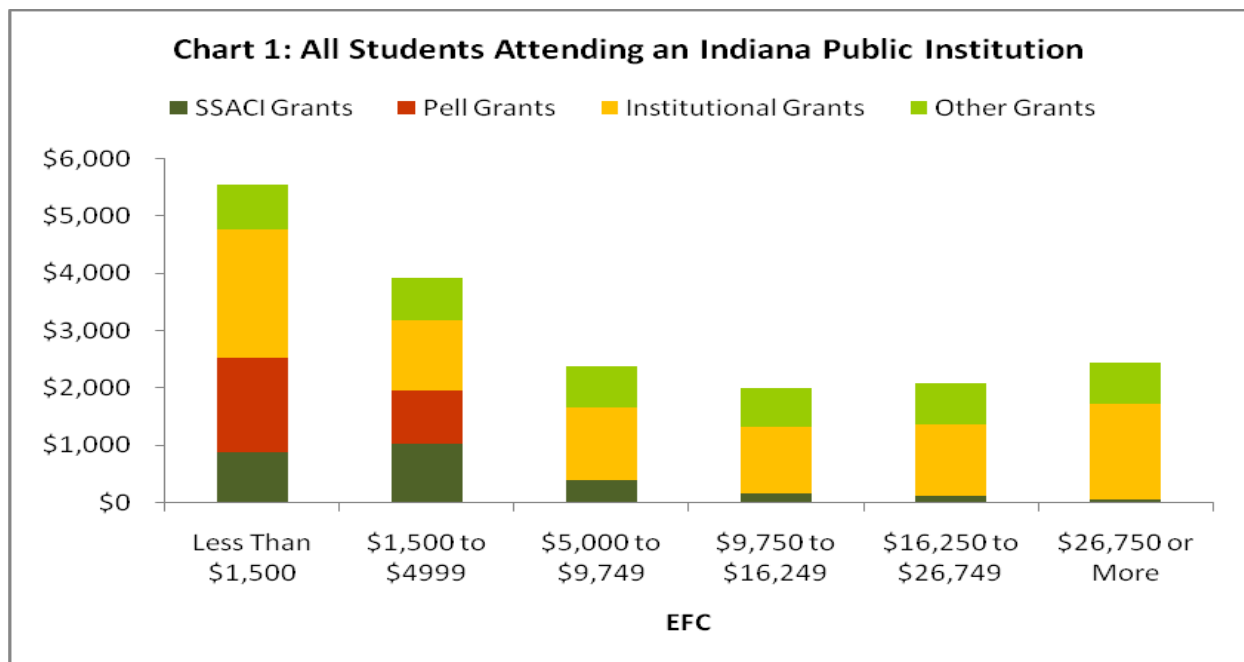
Institutional aid varies greatly by school, but falls into the grants and scholarships category since it does not need to be repaid. Institutional aid is both need-based and non need-based. Another glaring omission in the available data is in the financial aid that public, and particularly private, institutions offer to students. State aid for Indiana is discussed at length in “How State Aid Works” section of this document.

Financial Aid in Indiana

Charts 1 and 2 below display the distribution of federal, state, and institutional grant aid to Indiana students by income sectors. This study focuses on the grant aid to students and not loans. Using CHE 2008 SIS data, all students attending Indiana public institutions were grouped into six EFC ranges with equal numbers of students. Table 1 provides the mean AGI for the families in each EFC group.

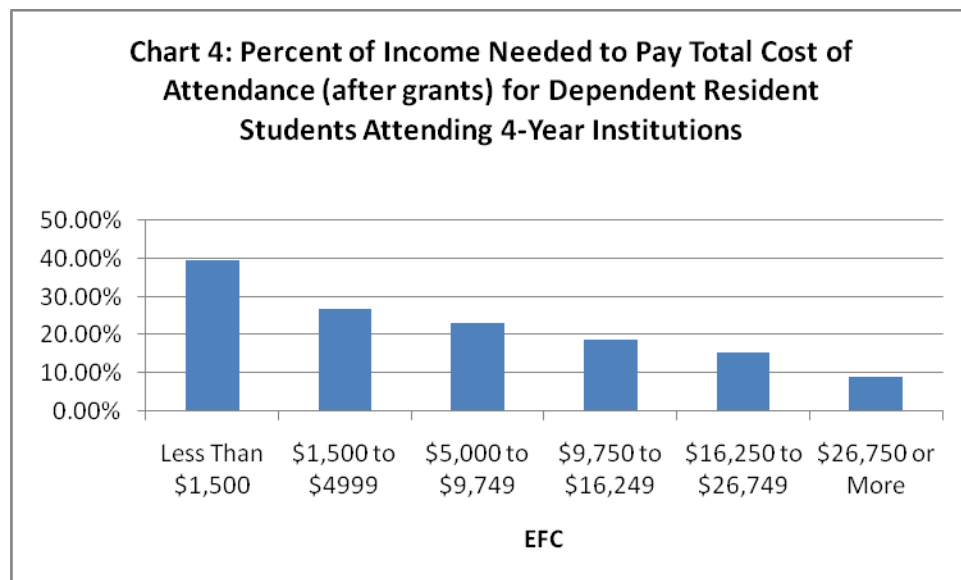
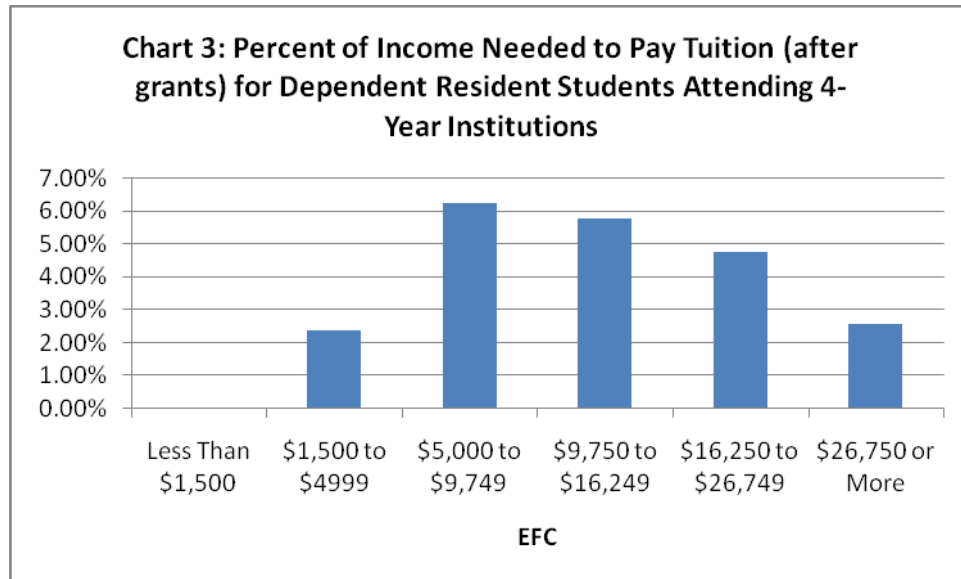
Table 1: AGI/EFC Conversion						
EFC	Less than \$1,500	\$1,500 to \$4,999	\$5,000 to \$9,749	\$9,750 to \$16,249	\$16,250 to \$26,749	\$26,750 or More
Mean AGI	\$23,258	\$47,675	\$68,940	\$89,362	\$109,533	\$177,874

Chart 1 shows the average distribution of grant aid across EFC groups for all students attending an Indiana public institution. Chart 2 shows this same information for Indiana dependent residents attending a public 4-year institution. Both charts show similar trends. In general, SSACI grants decline as income increases, Pell grants are going to students with the greatest financial need, and institutional aid is divided equitably among income groups. Both charts also show the same shape for total grant aid: students with the greatest need receive the most grant aid, which declines as income increases and then increases in the highest income category.



When it comes to covering tuition costs, there is a substantial gap for middle-income students. Chart 3 shows that on average, grant aid more than covers tuition costs for the lowest income students. On average, tuition is not completely covered by grant aid for the other income groups, and middle-income students require the highest percentage of income to pay the remaining tuition balance. For this reason, when new investment is made in state aid programs it should target middle-income students. However, Chart 4 shows that when the total cost of attendance is considered, lowest income students still require the highest percentage of income to

pay for college, with the percentages dropping as income increases.³⁵ It is possible that when the Frank O'Bannon awards were capped at \$6,000+ for public institutions, and considering the receipt of Pell grants, low income students may have been receiving more funds than was optimal. However, as award caps continue to drop, and at their current level of \$3,912, the lowest income students are not being overfunded.



³⁵ Calculations based on an average of Purdue and Indiana University's 2009-10 tuition and cost of attendance.

Recommendation #8: The state should not consider the receipt of Pell Grants in the calculation for state financial aid for traditional students. Pell grants are already being distributed to students with the greatest financial need. Increasing funds for aid to non-Pell grant recipients (i.e. those students/families with higher incomes) should not come at the expense of aid to Pell grant recipients (i.e. those students/families with the lowest incomes). Pell grants are not limited to tuition and fees rather they take into account the total cost of attendance for college. The laws that govern Pell grants intend that they should be used towards total costs of attendance. Moreover, if state financial aid considered receipt of Pell grants, then for every dollar of increased Expected Family Contribution (EFC), two dollars of aid would be lost because both Pell grants and Frank O'Bannon are calculated by subtracting a family's EFC.

Recommendation #9: The state should not require SSACI to incorporate institutional financial aid in its financial aid offers. Institutional aid serves a different and specific function from financial aid in general. Institutions use their aid to attract and retain students, including awarding merit-based financial aid to reward achievement. It is assumed that institutions use their aid to maximize the benefit to their institutions. Additionally, the state has no control over institutional aid; that control is in the hands of the trustees. If the state were to take into account institutional aid when creating state awards, the institutions would alter how they distribute aid to maximize receipt of state funds for students.

Recommendation #10: **The state's** public and private postsecondary institutions should wrap around their institutional financial aid with state and federal financial aid. Some examples of exemplary wraparound assistance include the Pell Promise and 21st Century Scholars Covenant at Indiana University. The Pell Promise program provides the balance of funds needed to cover the fall tuition and mandatory fees for in-state undergraduates who qualify for federal Pell grants. The 21st Century Scholars Covenant covers the full cost of attendance, including books and room and board, up to financial need.

Recommendation #11: The state should not consider receipt of tax credits when determining student eligibility for state financial aid. Tax credits are post-hoc to the financial aid process, as they are claimed the year after the financial aid is awarded and received.

Issue 3: The relative amounts of assistance provided on the basis of merit and on the basis of need.

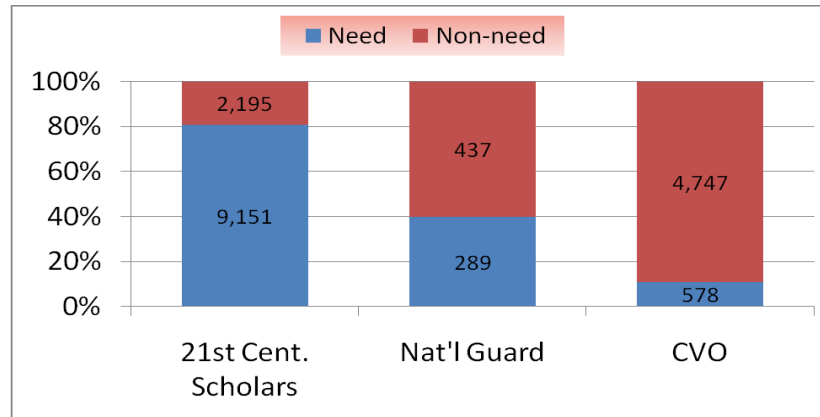
The majority of state financial aid distributed through SSACI is provided based on need, although a merit component is part of the Frank O'Bannon calculation and there are a few non-need based programs.

A means test is used to qualify students for need-based aid (in most cases this is the PC/EFC). The Frank O'Bannon Award and Part-Time Grant are need based aid programs, as the grants are calculated by subtracting the student's PC/EFC from the tuition or cap. With the Frank O'Bannon Award, an additional merit component factors into the calculation. The rate at which a student's tuition is funded is based on the type of diploma the student receives. The base rate for funding the Frank O'Bannon Award is at 80% of the prior academic year undergraduate tuition and fees. Students who earn a Core 40 or Academic/Technical Honors diploma add ten or twenty percent to the base award, so that they are funded at 90% or 100% of prior academic year undergraduate tuition and fees, respectively. This additional level of funding comprises the merit component of the Frank O'Bannon Award – students who fulfill college preparation requirements are rewarded with potentially higher awards (as long as their PC/EFC is not too large). When the Core 40 diploma becomes the standard diploma in AY 2011-2012, it will be treated as the base diploma, with an award rate set at eighty percent. The Academic/Technical Honors diploma will continue to receive a twenty percent increase over the base award, so that the maximum award rate for the Academic/Technical Honors diploma will be one hundred percent of actual prior year undergraduate tuition and fees. There will be no ninety percent rate since there will be no diploma awarded between a Core 40 and Academic/Technical Honors diploma.

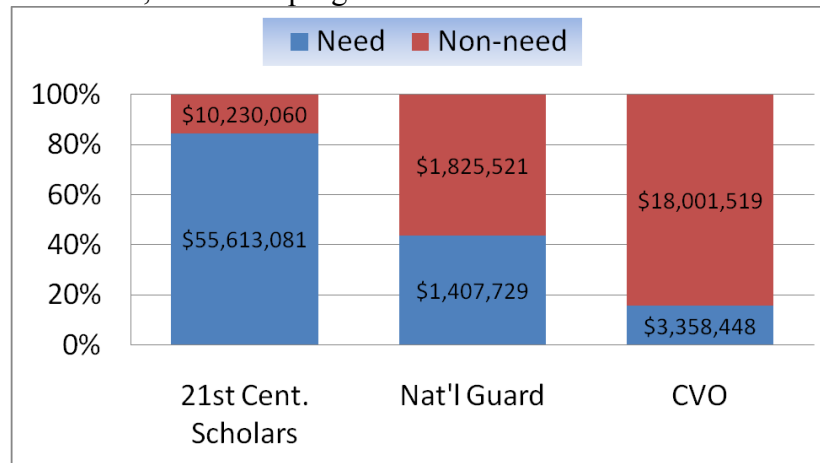
The Twenty-first Century Scholarship is also a need-based award; however it differs from the Frank O'Bannon and Part-Time Grant in that the means test is applied to students in 6th, 7th, or 8th grade and instead of using the PC/EFC, students qualify based on directly on income-level guidelines.

The programs that the state does not fund based on need include the National Guard Supplemental Grant, the CVO program, the Minority Teacher/Special Services Scholarship, the Nursing Scholarship, and Hoosier Scholars. Students qualify for the National Guard Supplemental Grant and CVO program based on their status as a Guard member or child/spouse of a veteran or public safety officer. A means test is not used for these awards, nor is it used for the Minority Teacher/Special Services Scholarship and the Nursing Scholarship, which together comprise the "occupational scholarships". These scholarships are billed awards, meaning that SSACI allocates the funds for these scholarships to the institutions to award to qualified students at their discretion. Some institutions choose to award these scholarships based on need, while others award these scholarships based on merit, or some combination of merit and need (See Emerging Issues Section of this document for more discussion of the Occupational Scholarships). The Hoosier Scholars program offers a one-time \$500 scholarship to one to three top students from each Indiana high school. In the interest of the state budget, this program has been suspended beginning with the 2010-2011 academic year.

The 21st Century Scholarship, National Guard Supplemental Grant, and CVO program each subtract the need-based Frank O'Bannon award during their calculation. This means that students with less need, and therefore a smaller Frank O'Bannon award, receive more from these supplemental scholarships than students with greater need, and therefore a larger O'Bannon award. This is not concerning for the National Guard Supplemental Grant and CVO program, since they are designed to fund students on something other than need. This is concerning for the 21st Century Scholarship, which is primarily designed to address students with the greatest need. The graph below shows the number of awards made in the Twenty-first Century Scholars, National Guard Supplemental Grant, and CVO programs based on either need or non-need criteria.³⁶



The graph below shows actual dollars expended in the Twenty-first Century Scholars, National Guard Supplemental Grant, and CVO programs based on either need or non-need criteria.³⁷



Recommendation #12: The state should affirm that state aid distributed through SSACI be based primarily on need.

³⁶ Need and non-need was defined by qualification for a Frank O'Bannon grant. Note: many CVO recipients do not file the FAFSA by the March 10th deadline and are therefore ineligible for the Frank O'Bannon grant (2009 data).

³⁷ Need and non-need was defined by qualification for a Frank O'Bannon grant. Note: many CVO recipients do not file the FAFSA by the March 10th deadline and are therefore ineligible for the Frank O'Bannon grant (2009 data).

Issue 4: Whether financial eligibility should be required for students participating in the twenty-first century scholars program as those students enter college.

The Twenty-first Century Scholars Program seeks to meet many critical needs of students and residents in Indiana. The Program began in 1990 as Indiana's way of raising the educational aspirations of low- and moderate-income families. By statute, the program is charged with seven goals.

Section 21-12-6-1 of Indiana's Code states that the Twenty-first Century Scholars Program is established to:

1. Reduce the number of students who withdraw from high school before graduation.
2. Increase the number of students who are prepared to enter the workforce upon graduation.
3. Increase the number of students entering postsecondary educational institutions in Indiana.
4. Encourage eligible students to attend postsecondary educational institutions in Indiana by reducing the financial burden on the eligible students and their families.
5. Decrease drug and alcohol abuse by encouraging higher educational pursuits.
6. Increase economic vitality.
7. Improve the overall quality of life for many Indiana residents.

The Program has been enormously successful in enrolling students and in raising the high school graduation rate of Twenty-first Century Scholars. However, there is no significant evidence that the program has helped low income students actually graduate from college. While many students take advantage of the early intervention and students services programs available to them, many students do not, rendering the main purpose of the program ineffectual. The tuition scholarship program is also experiencing heavy demand, in excess of state appropriations by nearly \$30,000,000 in the current biennium. That excess demand is met by drawing funds away from the state's need based financial aid program, resulting in lower student aid awards to needy students. Moreover, the evidence indicates that roughly 1 out of 6 (17%) Twenty-first Century Scholars students do not meet the income eligibility requirements when they enroll in the program, and 1 out of 5 (20%) Scholars do not show financial need when they attend college. Those 20% of students use roughly 33% of the Twenty-first Century Scholars' appropriation.

Early Intervention and Student Services

Most of these goals are achieved through the early intervention programs run by the fourteen Twenty-first Century Scholars offices around the state, covering all 92 counties. The sites are under contract with and monitored by the Office of Twenty-first Century Scholars. These efforts of these sites are targeted to low-income students and families. To qualify to be a Scholar, students must sign-up in 6th, 7th, or 8th grade, meet income-eligible guidelines, and sign a pledge that they will remain drug, alcohol, and crime-free. Once students are signed up as Scholars, the

sites support student Scholars and their families through many intervention activities. Activities for students include:

- Math, English, or other academic tutoring
- Standardized high school test tutoring
- Tutoring for SAT, ACT, or other college entrance exams
- Computer Assisted Labs in English, math, or other academic subjects
- Mentoring one-on-one
- Professional mentoring with a professionals in a field on a joint project
- Personal counseling assistance in solving personal or family issues
- Counseling/advising for college
- Counseling/career advising
- Study skills workshops
- Careers workshops
- College and job site visits
- Job shadowing and college shadowing of student or instructor

One of the Twenty-first Century Scholars Program key features is the Parent Program. Research has repeatedly shown that parental support and encouragement are the most important factors in a decision to go to college. The Scholars Program works directly with parents so they can learn the skills they need to fully support their children. Activities for parents include:

- Social events to involve/engage parents in project
- Award events to highlight student achievement and accomplishments
- Required parents' college visit
- College Prep Workshop on choosing a school, entrance requirements, and financial assistance
- Careers Workshop on requirements for careers/occupations
- ISTEP Workshop for 9th/10th grade parents
- Study Skills/Time Management Workshop
- SAT/ACT Workshop for 11th/12th grade parents

Financial Aid

As described in the introduction to this document, in addition to helping student prepare academically for college, the Twenty-first Century Scholars Program helps remove financial barriers by providing scholarships to qualifying students. In their high school graduation year, Scholars must affirm that they have kept their initial enrollment pledge of good citizenship (remaining drug, alcohol, and crime free). Those who enroll in the program and fulfill the pledge of good citizenship to the state are guaranteed the cost of four years of undergraduate college tuition at any participating public college or university in Indiana. The students must also graduate high school with a 2.0 GPA or better (a Core 40 diploma was encouraged but not required) and use the scholarship within two years of high school graduation.

Issues

At the beginning of the Twenty-first Century Scholars program, students could only sign up for the program in 8th grade. In 2002, the legislature expanded the enrollment time-frame to include 7th grade, and then 6th grade as well effective in the 2008-2009 school year. The growing

enrollment time-frame has resulted in significant consequences for the Twenty-First Century Scholars program. First, more eligible students are enrolling. More eligible students are enrolling because the three-year enrollment window provides more opportunities to sign-up for the program, as well as increased opportunities for families to qualify. Families whose annual income is borderline, or whose income fluctuates from year to year, have a greater chance of being able to find at least one year out of the three in which their child meets the income eligibility guidelines. The table below shows the dramatic increase in enrollment numbers the year enrollment was expanded to 6th grade. Moreover, the recession has increased the number of families and students eligible for the program.³⁸

Enrollment year	Count to date	Increase over prior year
2006	12,100	-
2007	14,015	15.83%
2008	15,532	10.82%
2009	31,463	102.57%
2010	32,387	12.6%

Signing up students for the Twenty-First Century Scholars Program requires time and resources on the part of the Scholar sites. As administrative budgets for the program have remained level for the program, the emphasis on

enrollment has caused resources to be shifted away from the other program activities. For example, affirmation rates, the rate at which graduating Scholars affirm the pledge they signed when they enrolled, have fallen for the past two years as a result of redirecting resources to enrollment (see table). However, it is important to note that Scholar students who participate in their Scholar site have much higher affirmation rates than students who do not participate in their Scholar site after enrolling.

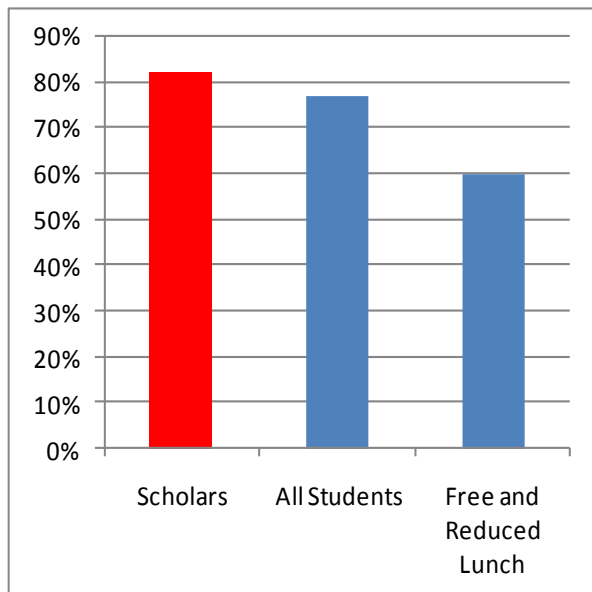
Cohort* Year	Enrolled	Affirmed	Percent
2004	7,786	4,468	57.39%
2005	7,292	4,861	66.66%
2006	6,996	4,609	65.88%
2007	10,600	5,559	52.44%
2008	12,560	6,884	54.81%

*A cohort is a group of students expected to graduate high school in a specific year, regardless of which grade the student enrolled in the program (i.e. 6th, 7th, or 8th grade).

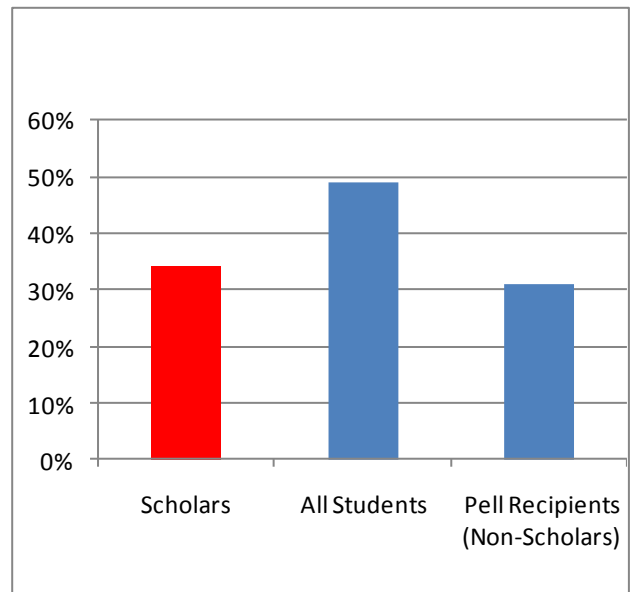
It is clear that the early interventions do make a difference in student success. Data indicate that Scholars graduate from high school at higher rates than the general student population, and at much higher rates than students on free- and reduced-lunch.

Additionally, compared to all Frank O'Bannon grant recipients, Scholars achieve Academic or Technical Honors diplomas at a similar rate and Core 40 diplomas at a higher rate. Again, students participating in their Scholar sites affirm at higher rates as well.

³⁸ From the SSACI Activity and Program Report 2008-2009.



High School Graduation Rates



College Graduation Rates

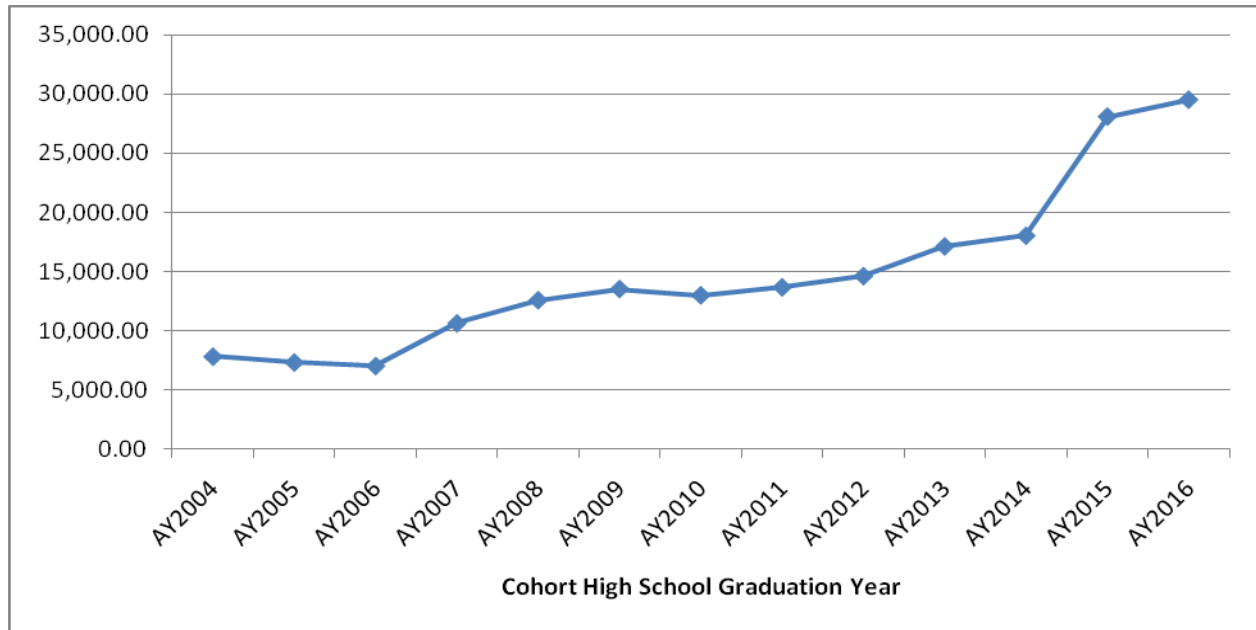
However, it should be noted that Scholars graduate from college at lower rates than the general student population, but graduate at rates similar to their low income peers who are not Scholars. This suggests that the existing early intervention programs are useful in high school completion and perhaps certain workforce development, but not helpful in promoting college completion. And further that the tuition scholarship is not helpful in promoting college completion.

Too many scholars enroll in the program in middle school, but then never participate in any of the intervention or student services. These students are more likely to fall through the cracks. The Scholars staff finds it nearly impossible to track down all Scholars, so the Scholars must do a better job of staying attached to the program. Scholars staff also have a difficult, if not nearly impossible time, in enforcing the pledge that Scholars take when they enroll in the program.

While students must meet a means test when they enroll in the program (see “How State Aid Works” above), 1 out of 5 students in the scholars program do not show financial need once they enroll in college. This largely because students are eligible to enroll in the program at ages as young as 10 or 11 years old. By the time the students reach college age the family has had ample opportunity to increase their income. In addition, a random check of student Scholars enrollment application reveals that fifteen-percent of students who enroll in the program in middle school do not qualify for the program.

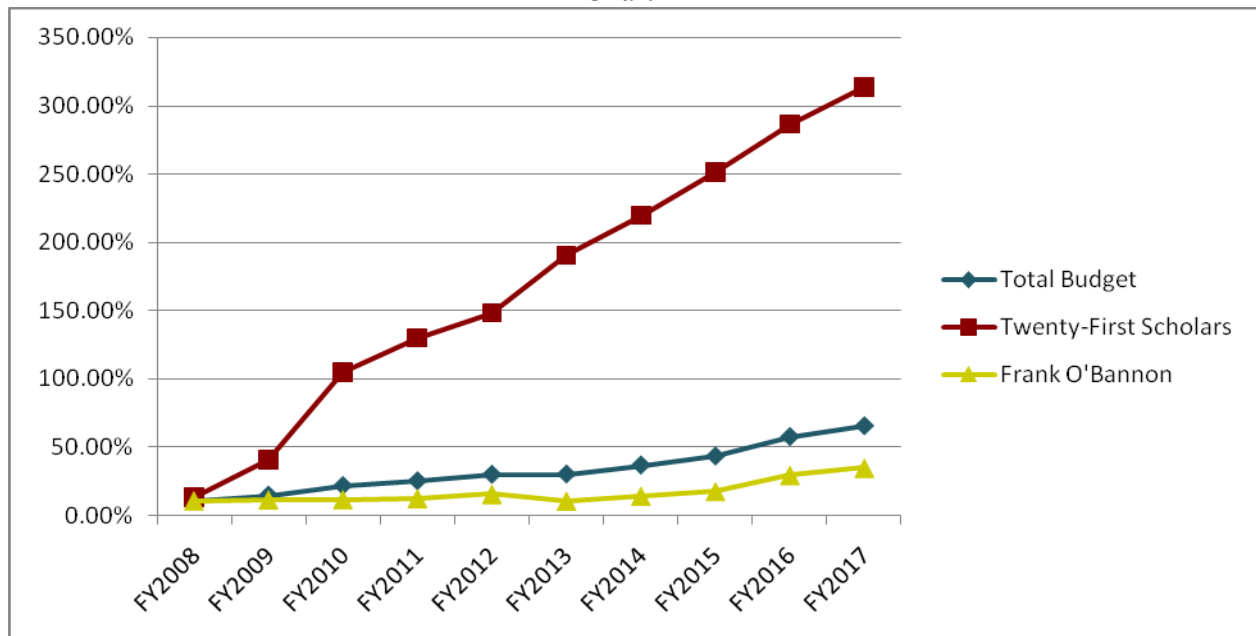
The problem is that the success of the Scholars early intervention programs, combined with its financial aid guarantee to cover the full cost of four years of undergraduate education, has led and continues to lead to unsustainable funding levels. Chart 1 shows the projected growth in the number of students in each graduating cohort of Scholars.

Chart 1



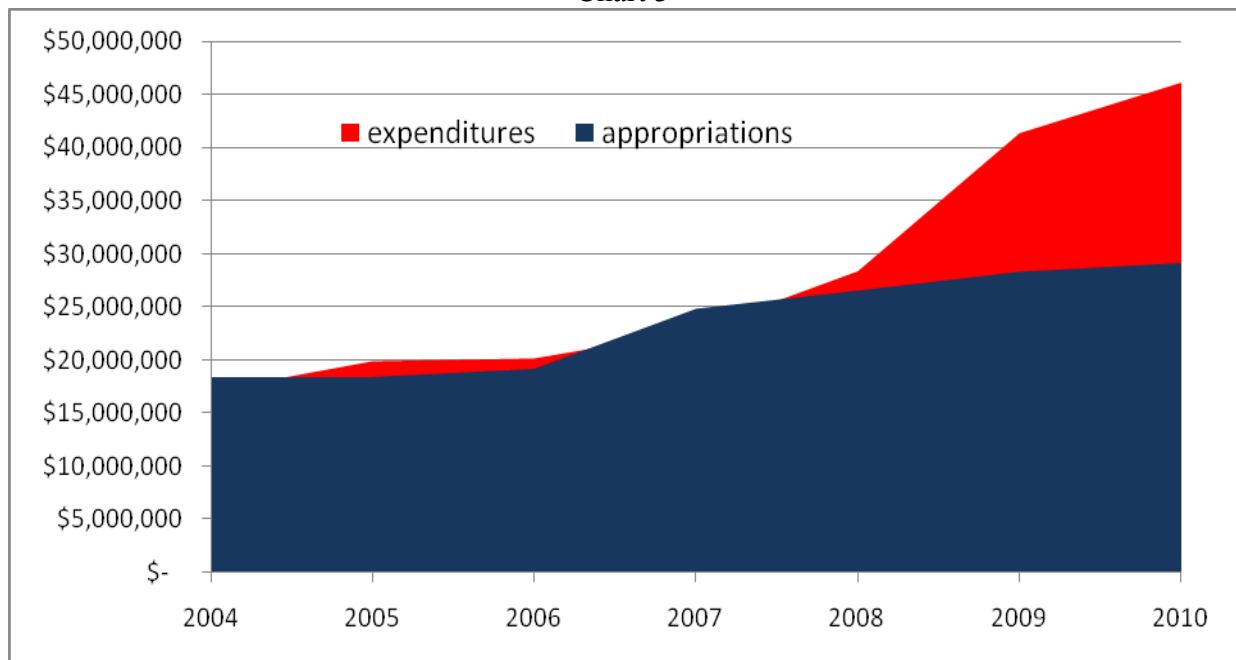
Using the projected figures for student cohorts and projections in student utilization and college tuition increases, Chart 2 reveals the projected percentage increase in SSACI expenditures on Twenty-first Century Scholars compared to its total budget and the Frank O'Bannon program.

Chart 2



The Twenty-first Century Scholars program will need to spend more than 300% over its 2007 budget to meet the projected need of Scholars in 2017. Already, the Twenty-first Century Scholarship spends more than it is appropriated. Chart 3 shows that since 2008 the program's expenditures have far exceeded its appropriations. In order to meet the need of this entitlement program, SSACI has been forced to take money from the need-based Frank O'Bannon Scholarship to cover the deficiencies in the Twenty-first Century Scholars appropriations.

Chart 3



If we stay on the current trend of reallocating money from the truly need-based O'Bannon grant program in order to fully fund the Twenty-first Century Scholars tuition grant program, which goes substantially to students who would not show enough financial need to receive an O'Bannon grant, we will not have adequate dollars for our need-based tuition scholarship, hurting the lowest income Hoosier families.

Recommendation #13: The state should refocus the Twenty-first Century Scholars program on early intervention, student services, program requirements, and college and workforce preparation goals. The early intervention and student services should be coordinated to be seamless for students as they transition from high school to college.

Recommendation #14: The state should expect that Twenty-first Century Scholars students participate in the early intervention and student services offered by the Twenty-first Century Scholars program.

Recommendation #15: The state should consider that Twenty-first Century Scholars students must show an aptitude and desire to be college prepared by having a minimum high school cumulative grade point average of 2.5.

Recommendation #16: The state should develop a sustainable funding model to ensure the long-term viability of the Twenty-first Century Scholars program. The state should consider when allocating financial aid whether Scholars meet statutory income requirements when they graduate from high school and enter college. This report makes no specific recommendation on how to allocate funds based on demonstrated financial need but acknowledges that ensuring eligibility will have the effect of providing more funding for low-income students who qualify for a Frank O'Bannon grant. (Recall, that the Twenty-first Century Scholars Program currently draws substantial funds from the Frank O'Bannon program).

Issue 5: Scholarships and awards provided for members of the military and National Guard.

SSACI oversees two programs that provide benefits to members of the military and National Guard: the National Guard Supplemental Grant (NGSG) and the Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO). An overview of both of these programs can be found in the “How State Aid Works” section of this document and below. Indiana has a reputation among military members for generous education benefits – a reputation that is confirmed by the initial results of a request for information from other state’s higher education offices regarding their military benefits (See Appendix for a table of these results). Indiana’s programs and expenditures match the level of the most generous states to respond, and greatly exceed the majority of states that responded.

Description of National Guard Supplemental Grant

The Indiana National Guard Supplemental Grant (NGSG) guarantees that 100% of certain tuition costs will be met by the state for eligible members of the Indiana Air and Army National Guard. The National Guard Supplemental Grant began in the fall of 2000 as a means to recruit new members and retain present personnel. It is entirely administered by SSACI, although the National Guard helped to fund students as this scholarship was established. In addition to meeting all of SSACI’s eligibility requirements, students must also meet the Indiana National Guard’s eligibility guidelines. Each term, the student must be in active drilling status, cannot have been AWOL at any time during the twelve months prior to enrollment, and have all required paperwork completed and approved by the appropriate Indiana National Guard education office. The National Guard Supplemental Grant can only be used at an Indiana public institution. The National Guard Supplemental Grant can be used by part-time students, by doing a credit-hour adjustment to reduce the award as necessary.

A small number of students (only seven in AY2009-2010) qualified for the National Guard Extension Scholarship. This scholarship is designed to meet the needs of former National Guard Supplemental Grant recipients who leave the Guard after serving on active duty outside the country. This program was intended to allow Guard students to obtain education that was not available while they were deployed, but not interfere with the recruitment and retainment goals of the Indiana National Guard. The Extension Scholarship is not available to part-time students.

Historically, National Guard Supplemental Grant appropriations have exceeded or matched the needed dollar amount for the grants. However, when large numbers of Guard members return from war, more funding is necessary. Federal aid helps offset this need.

Description of CVO Program

The Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO) provides benefits to family members of Indiana veterans, Guard members, and public safety officers. As of 2009, the CVO program also directly funds a group of veterans by offering aid to Purple Heart recipients. Until 2009, the CVO program had only offered aid to children and spouses of select veterans and public safety officers. The CVO program is often referred to by veterans as CDV, for Children of Disabled Veterans, by far the largest subgroup of recipients.

The CVO Program provides assistance at public colleges to eligible children of certain disabled or killed Indiana veterans, eligible children and spouses of certain members of the Indiana National Guard killed while serving on state active duty, eligible children and spouses of certain Indiana public safety officers killed in the line of duty, and, as of 2009, Purple Heart recipients who entered service from permanent residency in the state of Indiana. There are four ways to qualify for the CVO program, each of which has multiple differing program restrictions as well as allowed benefits:

Four Parts to CVO:			
Child of Disabled Veterans (CDV)	Child/Spouse of Indiana National Guard (ING)	Child/Spouse of Public Safety Officers (PSO)	Purple Heart Veterans (PHV) themselves
<ul style="list-style-type: none"> • Pupil in Soldier's and Sailor's Children's Home • Child of Purple Heart Recipient or Wounded Veteran • Child of Deceased or Disabled Veteran • Child of POW/MIA of Vietnam War 	<ul style="list-style-type: none"> • Child of National Guard Member Killed in the Line of Duty • Spouse of National Guard Member Killed in the Line of Duty 	<ul style="list-style-type: none"> • Child of Public Safety Officer • Spouse of Public Safety Officer • Child of State Trooper Permanently Disabled • Spouse of State Trooper Permanently Disabled 	<ul style="list-style-type: none"> • Veteran who is a Purple Heart Recipient

In total, there are thirteen distinct parts to the CVO program (See Appendix for Summary Table for CVO Program Benefits and Restrictions). Some CVO programs allow students to use funding for graduate studies, but these courses are limited to funding at the undergraduate tuition level, and most programs limit payment to 124 credit hours. All CVO applications must be certified by either the Indiana Department of Veterans Affairs, the Military Department of Indiana, or SSACI, as appropriate to the program. The complexity of this program is a result of the differences between the thirteen distinct parts (reflected in the Summary Table) as well as the division of administrative duties and fiscal authority to different entities (IDVA vs. SSACI).

By statute, the CDV program was originally a fee remission program, run differently by each individual public college. Section 21-14-4-2 of the Indiana Code states: Subject to subsection (b), an eligible applicant is entitled to enter, remain, and receive instruction in a state educational institution upon the same conditions, qualifications, and regulations prescribed for other applicants for admission to or scholars in the state educational institutions, *without the payment of any educational costs* for one hundred twenty-four (124) semester credit hours in the state educational institution (emphasis added). As a supplement to other state financial aid, the grant pays 100% of tuition and regularly assessed fees;³⁹ it does not cover other fees such as textbooks or room and board.⁴⁰

³⁹ Prior to 2010, CVO programs paid course related mandatory fees – a somewhat more expanded definition of fees. Regularly assessed fees are the same fees paid for Frank O'Bannon Grant recipients.

⁴⁰ A new CVO program has just been added, which pays for textbooks. When the Soldier's and Sailor's Children's Home was closed in 2009, a small fund composed of charitable donations for students' recreation was passed to the Dept. of Health, which used it to pay for textbooks for college, recreation not being feasible after the closing of the

The entire CVO program was transferred to SSACI in 2001, and since this transition the CVO program has had a state appropriation to SSACI. SSACI administers the appropriation as a grant in place of the fee remission structure, although SSACI does not have statutory (rule-making) authority over the program. It is now the institutions' responsibility to bill SSACI for the fees incurred by CVO eligible students. All tuition-specific aid from any source (state, institutional, private, or federal, including the new GI bill) must be applied before the CVO fee remission benefit is applied. SSACI reimburses the institutions for waived CVO charges, but in the current biennium SSACI has been unable to fully reimburse the institutions.

Students are not required to file a FAFSA by the March 10th deadline to receive CVO aid, but they are required to file a FAFSA before the aid will be disbursed. This means that CVO students who could have qualified for a Frank O'Bannon Scholarship would not receive it unless they submitted a FAFSA by March 10th.

Recommendation #17: The state should assign all fiscal *and* administrative duties for the Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO) to **Indiana Department of Veterans' Affairs (IDVA)**. The CVO program does not fit well with the rest of SSACI's financial aid programs. SSACI has established uniform eligibility requirements for its programs, but since SSACI does not have regulatory authority over the CVO program, the CVO program remains inconsistent with how other SSACI aid is administered. Moreover, the multiple programs within the CVO program are inconsistent with each other. There are three separate certifying agencies for different CVO programs; IDVA, SSACI, and the Military Department of Indiana (MDI). While SSACI aid is generally limited to eight semesters of undergraduate education, not a single CVO program incorporates both the eight-semester and undergraduate limits. In fact, many CVO programs can be applied to graduate education. Additionally, several CVO programs have a 124 credit hour limit, instead of eight semesters, and some programs have no limit at all.

Another important difference between other SSACI programs and the CVO program is that CVO recipients do not have to demonstrate financial need. They also do not need to file a FAFSA by the March 10th deadline in order to receive aid, which reduces their sources of financial aid. Financially administering a program that is beyond its regulatory authority is challenging for SSACI, and limits SSACI's ability to run the program efficiently.

Federal Benefits

In addition to state programs for members of the military and National Guard, there are generous federal benefits.

Home. In spring 2010 the fund was passed to the Commission to administer for these students. Since these students already qualify under CVO for tuition and fee remission, the remaining recreation funds are used to pay for textbooks.

Benefit Comparison Chart				
Breakdown of Monetary Benefits under the various GI Bills				
	<i>Post-9/11 GI Bill</i>	<i>Montgomery – GI Bill – Active Duty (MGIB)</i>	<i>Montgomery GI Bill – Reserves</i>	<i>REAP</i>
Codification	Chapter 33, 38 USC	Chapter 30, 38 USC	Chapter 1606, 10 USC	Chapter 1607, Title 10 USC
Effective Date	New benefit becomes effective August 1, 2009 – payments not retroactive Eligibility may be established using active duty service performed on or after 9/11/01	Remains in effect	Remains in effect	Remains in effect
What determines benefit amount	The benefit level is determined based upon an individual's aggregate qualifying active duty service. Three part benefit: 1. Tuition and feed at the school of the veteran's choice – limited to the in-state tuition for the highest priced undergraduate public Institution of Higher Learning (IHL). 2. Monthly housing allowance equal	Amount is fixed regardless of education program – adjusted annually based on the average undergraduate tuition as determined by the National Center for Education Statistics	Amount is fixed regardless of education program – adjusted annually based on the average undergraduate tuition as determined by the National Center for Education Statistics	Amount is fixed regardless of education program – adjusted annually based on the average undergraduate tuition as determined by the National Center for Education Statistics

	<p>to the BAH payable for an E-5 with dependents located in the zip code of the educational institution where the individual is enrolled. For those attending foreign schools (schools without a main campus in the U.S.) the BAH rate is fixed at \$1,333.00 for 2009</p> <p>3. Up to a \$1,000 annual stipend for books and supplies.</p> <p><i>Note: Active duty members receive 100% tuition and fees of whatever school they attend, but do not receive the housing allowance or books and supplies stipend.</i></p>			
Education Benefit	<p>Tuition and fees paid directly to school – actual costs may vary by state and veteran’s period of service</p>	<p>Since August 1, 2008, the full-time monthly rate is \$1321.00 for individuals who served 3+ years of service.</p> <p>Since August 1, 2008, the full-time monthly</p>	<p>Since October 1, 2008, the full-time monthly rate is \$329.00</p>	<p>Since August 1, 2008, the full-time monthly rate is:</p> <p>\$1,056.80 for individuals with at least 2 years of consecutive active-duty service;</p>

		rate is \$1,073.00 for individuals who served less than 3 years of service.		<p>\$792.60 for individuals with at least 1 year but less than 2 years of consecutive active-duty service;</p> <p>\$528.40 for individuals with at least 90 days but less than 1 year of consecutive active-duty service</p>
Housing Allowance	<p>Monthly housing allowance equal to the BAH payable for an E-5 with dependents (located in the zip code of the educational institution where the individual is enrolled).</p> <p>For those attending foreign schools (schools without a main campus in the U.S.) the BAH rate is fixed at \$1,333.00 for 2009.</p> <p>Individuals who are pursuing training while on active duty, solely via</p>	None, however benefit can be used for room and board at the veteran's discretion.	None, however benefit can be used for room and board at the veteran's discretion.	None, however benefit can be used for room and board at the veteran's discretion.

	distance learning, or are training at half time or less are <u>NOT</u> eligible to receive the monthly housing allowance.			
Book Stipend	Up to \$1,000 per year for books and supplies. Individuals eligible at the 100% benefit level may receive \$41.67 for each credit hour certified up to 24 credit hours each academic year. The books and supplies stipend will be paid in a lump sum amount for each term, quarter, or semester certified.	None, however the benefit can be used for books and supplies at the veteran's discretion.	None, however the benefit can be used for books and supplies at the veteran's discretion.	None, however the benefit can be used for books and supplies at the veteran's discretion.
Eligibility	<p>Members who served on active duty for at least 90 aggregate days after 9/10/09.</p> <p>Active duty exclusions include:</p> <ul style="list-style-type: none"> • Service Academy graduate commitment • ROTC scholarship graduate commitment • Active duty 	<p>Members who first entered active duty on or after 7/1/85 and who had at least a two-year enlistment.</p> <p>Generally, individuals commissioned as a result of completion of an ROTC program who received more than \$3,400 while under an ROTC scholarship each</p>	<p>Members who have a 6-year obligation to serve in the Selected Reserve signed after 6/30/85. If you are an officer, you must have agreed to served 6 years in addition to your original obligation. For some types of training, it is necessary to have a 6 year commitment that</p>	<p>Generally, a member of a Reserve component who serves on active duty on or after 9/11/01 under title 10, U.S. Code, for at least 90 consecutive days under a contingency operation, is eligible for REAP.</p> <p>National Guard members are eligible if their</p>

	<p>served as a requirement for student loan repayment under chapter 109, 10 USC</p> <p>* Members who serve at least 30 continuous days on active duty and were released due to a service-connected disability are also eligible.</p>	<p>school year and Service Academy graduates are not eligible for chapter 30.</p>	<p>begins after 9/30/90.</p> <p>Complete your initial active duty for training (IADT)</p>	<p>active service extends for 90 consecutive days or more and their service is:</p> <ul style="list-style-type: none"> • Authorized under section 502(f), title 32, U.S. Code, • Authorized by the President or Secretary of Defense for a national emergency, and • Supported by federal funds.
Administration of payment	<p>Tuition payment will be made directly to the school after proof of enrollment.</p> <p>Housing stipend paid monthly to veteran.</p> <p>Books and supplied stipend paid to veteran proportionately in first month of each academic term.</p>	<p>Monthly check sent to veteran after proof of enrollment.</p>	<p>Monthly check sent to veteran after proof of enrollment.</p>	<p>Monthly check sent to veteran after proof of enrollment.</p>
“Kicker” or College Fund	<p>Allows “kickers” up to \$950 per month for recruitment for critical skills – up to \$350 per month for</p>	<p>Allows “kickers” up to \$950 per month for recruitment for critical skills – up to \$350 per month for</p>	<p>Allows “kickers” up to \$350 per month.</p>	<p>Allows “kickers” up to \$350 per month.</p>

	<p>retention.</p> <p>Allows individuals with “kicker” earned under Chapter 30 and 1606 to continue to receive appropriate increase under Chapter 33</p>	retention.		
Transferability	<p>Members with at least 6 years of service who reenlist for at least 4 more years, can transfer up to 36 months of benefits to their dependents.</p> <ul style="list-style-type: none"> • Sponsor may transfer entitlement only while serving as a member of the Armed Forces. • Sponsor may modify or revoke entitlement at any time. <p>Spouse may use transferred benefits immediately; child may use transferred benefits after sponsor has completed 10</p>	<p>Members with at least 6 years of service who reenlist for at least 4 more years, can transfer up to 36 months of benefits to their dependents.</p> <p>Sponsor may transfer, modify, or revoke entitlement at any time.</p> <p>Spouse may use transferred benefits immediately; child may use transferred benefits after sponsor has completed 10 years of service.</p>	None	None

	years of service.			
Service member pay reduction	<p>New enrollees pay nothing.</p> <p>For those who transfer from Chapter 30 to Chapter 33, a proportional amount of the basic \$1,200.00 contribution will be included with the last monthly housing allowance payment when Chapter 33 entitlement exhausts.</p>	\$100 per month for first 12 months	None	None
Student Loan Repayment	Not addressed	Not addressed	Not addressed	Not addressed
Service Requirement	<p>From 90 days to 3+ years of <i>cumulative</i> active duty service after 9/10/01.</p> <p>* Members who served at least 30 continuous days on active duty and were released due to a service-connected disability are also eligible.</p>	<p>3+ years of <i>continuous</i> active duty for full benefit.</p> <p>Reduced benefit for original active duty obligation of at least two, but less than three years of active.</p> <p>2 years <i>continuous</i> active duty + 4 years in Selected Reserve.</p>	Remain in good standing while serving in an active Selected Reserve unit	Your eligibility generally ends when you leave the Selected Reserves.
Benefit Term	Up to 36 months	Up to 36 months	Up to 36 months	Up to 36 months
Public-Private Partnership	“Yellow Ribbon G.I. Education Enhancement Program” – IHL schools may	Not addressed	Not addressed	Not addressed

	<p>enter into an agreement to fund up to 50 percent of the established charges not covered under Chapter 33.</p> <p>VA will match each additional dollar funded by the school however, the combined amounts may not exceed the full cost of the school's established charges.</p> <p>This program is only available to individuals who served an aggregate of 36 months of active duty service or who were released for a service connected disability.</p>			
Time Limit to use benefits	15 years from last discharge or separation	10 years from last discharge or separation	If your eligibility to this program began on or after 10/1/92, your period of eligibility ends 14 years from your beginning date of eligibility, or on the day you leave the Selected	Members who were called up from the Selected Reserve, completed their REAP qualifying period of active duty service, and then returned to the Selected Reserve for the remainder of

			<p>Reserve.</p> <p>If your eligibility to this program began prior to 10/1/92, your period of eligibility ends 10 years from your beginning date of eligibility, or on the day you leave the Selected Reserve.</p>	<p>their service contract are now eligible for REAP benefits for 10 years upon separation. In addition, members who were called up from the Individual Ready Reserve (IRR) or the Inactive National Guard (ING), completed their REAP qualifying period of active duty service, and then entered the Selected Reserve to complete their service contract are now eligible for REAP benefits for 10 years upon separation.</p> <p>Members who were called up from the Individual Ready Reserve (IRR) or the Inactive National Guard (ING), completed their REAP qualifying period of active duty service, and then returned to the IRR/ING are not eligible for the 10-year post service eligibility</p>
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				<p>period.</p> <p>Members who were called up from the Selected Reserve, completed their REAP qualifying period of active duty service, returned to the Selected Reserve, and later transferred to the IRR/ING are not eligible for the 10-year post service eligibility period.</p>
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Eligible Programs				
Type of Training	<i>Post-9/11 GI Bill</i>	<i>Montgomery GI Bill – Active Duty (MGIB)</i>	<i>Montgomery GI Bill – Reserves</i>	<i>REAP</i>
IHL in residence ¹	Yes	Yes	Yes	Yes
IHL online only & Distance/ Internet Training	Yes ²	Yes	Yes	Yes
NCD ⁵	See note 5	Yes	Yes	Yes
OJT & Apprenticeship Training	No	Yes	Yes	Yes
Flight Training	No ³	Yes	Yes	Yes
Correspondence	No ³	Yes	Yes	Yes
Licensing & Certification	Yes ⁴	Yes	Yes	Yes
National Testing Programs	No ³	Yes	Yes	Yes
Entrepreneurship Training	No ³	Yes	Yes	Yes
Accelerated Payment	No	Yes	Yes	Yes
Co-op Training	No ³	Yes	Yes	Yes
Work-Study Program	Yes	Yes	Yes	Yes
Tuition	Yes	Yes	No	No

Assistance Top Up				
Tutorial Assistance	Yes	Yes	Yes	No
<p><i>* Individuals electing the Post-9/11 GI Bill by relinquishing eligibility under the MGIB, MGIB-SR, or REAP can be paid benefits for these types of training. Entitlement is charged under Post-9/11, paid at the relinquished benefit rate.</i></p> <p>¹ Degree programs and certificate programs offered by an IHL are approved training under the Post-9/11 GI Bill. An IHL is defined as an Institution of Higher Learning – or a degree granting institution. Certificate and diploma programs offered by institutions that do not grant degrees are not covered.</p> <p>² If you are enrolled entirely in an online or distance learning program your payment is limited to the tuition & fees not to exceed the tuition & fees at the most expensive in-state Institution of Higher Learning (IHL). You will not receive the housing allowance.</p> <p>³ If your training is offered at an IHL you may be eligible for Post-9/11 GI Bill benefits.</p> <p>⁴ Limited to one test.</p> <p>⁵ Non College Degree (NCD) program. An NCD program offered at an IHL is approved. IF offered at other than an IHL it is not approved.</p>				

Issue 6: *Scholarships and awards provided to individuals being held in state correctional facilities.*

Current Funding

Almost all of the funding for prisoner education comes from state financial aid. A few students pay a small amount, some institutions offer subsidies, and the federal government offers a small amount of grants. Incarcerated students are not eligible for traditional federal grants or loans – only those grants specifically set aside for this purpose.

SSACI treats incarcerated students the same as all other students. Because incarcerated students have no income, they all qualify for need-based aid. The only three SSACI programs to fund incarcerated students are the Frank O'Bannon program, the Part-Time grant program, and CVO. Only a few students used Part-Time grant or CVO funds (36 and 6 respectively in 2008-09) compared to the majority of students who received Frank O'Bannon awards (2,325 in 2008-09).

Prisoner Education Colleges
AY2009-10

College	Inst.Type	FOB \$	PT \$	CVO \$	Total O'Bannon	% pris \$
Ball State University	Public	\$2,828,268	\$2,592	\$12,418	\$12,424,673	22.76%
Grace College	Private	\$1,470,343	\$6,298	\$0	\$2,475,895	59.39%
Indiana State University	Public	\$1,033,818	\$0	\$0	\$6,740,941	15.34%
Oakland City University	Private	\$3,197,628	\$0	\$0	\$4,471,659	71.51%
Purdue University - NC	Public	\$437,160	\$13,804	\$1,346	\$2,118,552	20.63%
Ivy Tech Comm College - TH	Public	\$96,382	\$5,760	\$2,964	\$1,358,422	7.10%
Total		\$9,063,599	\$28,454	\$16,728	\$29,590,142	30.63%

Treating incarcerated students the same as other students in the financial aid process creates several problems. First, the SSACI requirement that all students receiving state aid file a FAFSA by March 10th limits incarcerated students' ability to pay for college. Filing a FAFSA from prison is difficult. Inmates are not allowed to use computers, and therefore must complete paper copies of the FAFSA. Paper copies are more likely to have errors and missing information and are less likely to be filed on-time. Additionally, any individuals incarcerated after March 10th would be unable to receive funding for the following academic year.

Another difficulty results from the caps. A limited number of public and private institutions provide prisoner education. Because the law establishes different cap level for public and private institutions, incarcerated students are receiving different levels of aid based on which institution happens to provide education at their facility. This unintended inequity needs to be recognized.

Perhaps the greatest issue in prisoner education results from the different goals of the incarcerated student population and the traditional student population. It is well documented that if prisoners can find gainful employment after release they are unlikely to reoffend. Increasing offender employment is the best way to reduce recidivism rates and minimize correctional costs

to society. The Department of Corrections believes that workforce certification programs are the key to providing inmates with employable skills. However, state financial aid only funds traditional associate and bachelor degrees. Institutions that provide prisoner education won't offer workforce certification programs because SSACI does not fund these programs.

Recommendation #18: The state should fund prisoner education through the Department of Corrections. By divorcing financial aid for prisoners from SSACI, the state will have the flexibility to adopt the most appropriate education programs for prisoners. The Department of Corrections can analyze the educational needs of prisoners, and put out an RFP to provide the desired services. Any public or private Indiana postsecondary institution should be able to respond to the RFP.

Emerging Issues

Some emerging issues were identified during the development of this study that warrant additional study. While these issues are important enough to bring to light in this study, it was considered to be beyond the legislative charge to make specific recommendations hereto. Therefore, they are presented here as a call for future analysis and potential action.

Twenty-First Century Scholarship and Foster Care

Recent years have seen legislation requiring case workers for students in foster care to sign them up for the Twenty-first Century Scholars program without regard to time in foster care, grade in school or income levels. Students may be in foster care for only brief periods of time, may come from families that do not meet entry income guidelines, and are signed up upon intake to the foster care system. This results in adding students with no need to the Twenty-first Scholarship entitlement. In addition, the Scholars program enjoys the success it does largely because of parental involvement. A student in long term foster care, with no parents and high levels of financial need would benefit much more from a program tailored to their needs, rather than adapting to the poor fit of the Scholars program. When that student goes to college (if they do) they need more help than the Scholar's program can give them.

Contract for Space

SSACI continues to pay Frank O'Bannon aid to students from certain border counties to attend three Ohio and Kentucky institutions. This is a legacy of a contractual arrangement overseen by each state's equivalent higher education commission. While this agreement continues, and indeed has expanded to more counties and more colleges, it has lost the component of exchange of payment to make up the difference between what an in-state student is charged (resident tuition) and the charges for an out-of-state student (non-resident tuition).

Any out-of-state students attending college under this arrangement are required to pay a rate that is closer to if not the same as the in-state tuition for that institution. In theory, this is supposed to be a reciprocal arrangement, but the flows of students are uneven between states. SSACI, meanwhile, continues to fund O'Bannon eligible Indiana students, only from the original six counties to attend only the original three colleges. Having this program leaves SSACI staff open to questions from students and other out-of-state colleges about participating in the O'Bannon grant.

Data on Transfer Students

SSACI finds that many students transfer among colleges from year to year and within the year. Indeed, encouraging students, as the state does, to attend a community college for a brief, less expensive, start to their education causes many students to transfer once they are sufficiently comfortable with college to attend a more challenging institution. Once a student is no longer considered a first-time full-time student, however, data collection efforts slow to a crawl. To be fair, this is largely because the federal government has chosen this subset of students so as to have data that is comparable across states. Institutional aid does not go to transfer students, since successful degree attainment is only examined for first-time full-time students, and those colleges, such as Ivy Tech and extension campuses of IU and Purdue, which have large numbers

of students who transfer (in or out), are the ones who tend to have low degree attainment (as measured for first-time full-time students).

FAFSA Simplification

Changes in the Higher Education Act and in Presidential and Congressional leadership have accelerated discussions in Washington about ways to simplify the FAFSA. The notion of simplification alone is universally agreed upon by those dependent upon the FAFSA, but the degree to which the form may be altered in the name of simplification is not. Current thinking in Washington is that the FAFSA form warrants drastic changes and that the elimination of questions would make it easier and less intimidating for students and families to apply for financial aid.

However, the FAFSA is not just used to determine a student's eligibility for federal aid; it is also the primary form used by state agencies in awarding state aid. Some of the changes suggested will make it more difficult for states to determine how to distribute their limited amounts of state-funded need-based financial aid dollars. This is why states have a vested interest in the development of the FAFSA and any related replacement or versions of the form that will be developed and tested.

The earliest that significant changes could be made to the form is not until the 2011-12 academic year. Still, it will be critical for the Commission to monitor activity in Washington in this regard so Indiana can plan accordingly. Major changes to the FAFSA will affect how the federal government calculates student/family need (generally tending to increase the need picture) and as such may require SSACI to change the nature of its need calculation, reducing dependence on the federal calculation, but at the same time, removing the coordination among the state, the federal government and colleges that the financial aid community has enjoyed in recent years. Moving to using data directly from the IRS would affect how recent the data would be for making funding decisions; it is not timely to use two year old income tax data to calculate awards for students. Other issues involve residency questions, increasing not the need but the size of the state's applicant pool.

Programs with Repayment Requirements

When students who receive the Minority Teacher/Special Services Scholarship or the Nursing Scholarship do not fulfill the terms of the scholarship, it places a disproportionate administrative burden on SSACI to pursue repayment. Some students make regular monthly payments ranging from \$5 to \$200; other students make sporadic payments or do not pay at all. Tracking down students to collect payments and verifying whether they meet the work requirements costs more than students repay. There are four possible solutions: 1) acknowledge that the scholarships are not providing the desired incentive and remove these scholarships from legislation, possibly returning the funds to O'Bannon; 2) stop requiring repayment, which also does nothing to ensure the scholarship fulfills the intention of creating more nurses and minority teachers for Indiana; 3) make this program a loan repayment program (but not a loan program), which ensures that every dollar goes to a nurse or teacher working in Indiana to repay loans they will have already taken on, no matter where they obtained their credentials, or 4) provide refundable tax credits to teachers or nurses who meet the desired criteria. A tax-credit would also

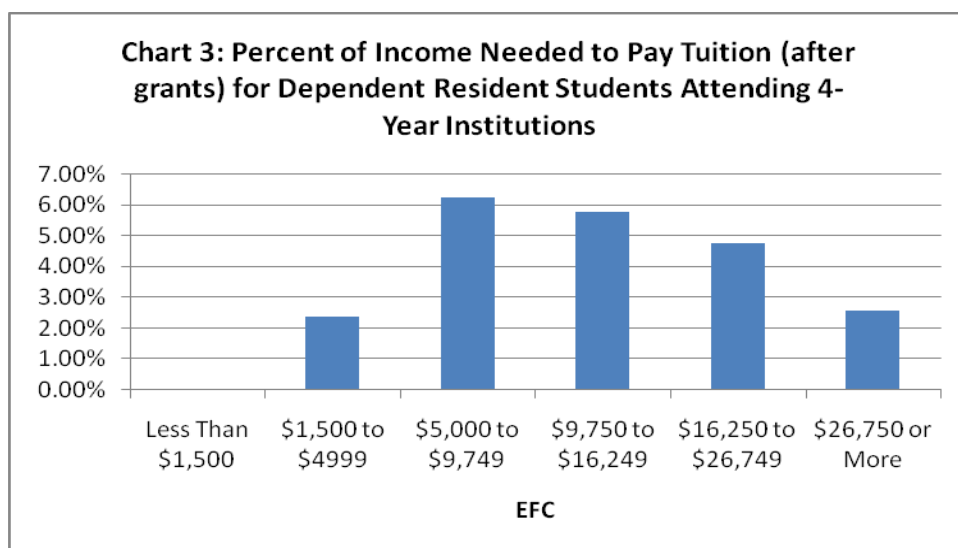
ensure that only students who remain in Indiana receive a benefit, since the tax-credit would only apply to residents of Indiana.

National Guard Supplemental Grant

There are a number of federal benefits, most notably the Federal Tuition Assistance, which can benefit members of the National Guard. Currently state laws governing the awarding of National Guard Aid do not take these programs into account, and the state could potentially recognize some cost savings by not duplicating similar federal aid.

Financial Aid for Middle-Income Students and Families

The efficacy of SSACI awards is, and should be, of great concern to policymakers. This is an area where Indiana sorely lacks the existing data to make good decisions about financial aid policy. However, the data that is available currently suggests that students who receive SSACI grants tend to graduate at higher rates than students who do not receive SSACI grants. Moreover, families in the middle income groups typically pay a higher percentage of their income to pay for college. The state should further consider increasing the level of need-based funds to address the lack of college accessibility among middle-income students. Middle-income students require the highest percentage of income to pay for tuition. For this reason, whenever it is possible to make additional new investments in state aid programs the funds should target middle-income students.



Recommendation #19: The state should further consider the following emerging issues in state aid:

- (A) Twenty-first Century Scholarship and Foster Care
- (B) Contract for Space
- (C) Data on Transfer Students
- (D) FAFSA Simplification
- (E) Programs with Repayment Requirements
- (F) National Guard Supplemental Grant
- (G) Financial Aid for Middle-Income Students and Families

Appendices

Program Details: Minority Teacher and Nursing

When students who receive the Minority Teacher/Special Services Scholarship or the Nursing Scholarship do not fulfill the terms of the scholarship, it places a great administrative burden on SSACI to pursue repayment. Prior to 1998, no student was required to repay the scholarship. In 1998, changes were made to the application, but not to the law, requiring repayment.

Currently, students in repayment status are not sent a monthly bill and are not charged interest on the amount disbursed to them. Some students make regular monthly payments ranging from \$5 to \$200. Other students make sporadic payments or do not pay at all. The SSACI staff previously administering this program would make an effort to contact students who had not paid. If there was no response, the student was “written off” and payment was not collected. The staff tried various methods to reach these students. Some years it was as simple as one letter to the last known address in the SSACI system. No response yielded a write off of students. Other years, SSACI worked with DWD to track students via their current employer. This resulted in several students being found. However SSACI did incur charges from DWD for the research. Below is a chart detailing the current status of both programs. The data was pulled from the GRADS system. The Minority Teacher Program has approximately 6 years of data in GRADS while Nursing has approximately two years of data stored in GRADS.

	Nursing	Minority Teacher
Total number of students in program (all statuses except still enrolled in undergraduate degree program)	1337	2127
Total number employed	555	205
Obligation Fulfilled	643	549
Total in repayment	13	60
Total repayment amount owed by all students	\$25,661.24	\$160,476.27
Average repayment owed by student	\$986.97	\$1,432.82
Since 2004 the total amount repaid to SSACI	\$1,705.19	\$5,087.16

The data above show that students are not making payments. The administrative time spent on repayments for this program far exceeds any monetary benefits SSACI is receiving.

Summary of CVO Program Benefits and Restrictions						
SSACI TypeCode	Covered Student (Statute)	Indiana Code	Education Level	Max Allowed	Other Eligibility Restrictions	Other Benefit Restrictions
1	Pupil in Soldiers' and Sailors' Children's Home, also known as Morton Memorial HS.	21-14-4-1-1	Undergrad, Grad	124 CH	Requires the student be admitted to the SSCH <i>because</i> the person was related to a member of the armed forces of the United States; school closed Spring 2009	Eligible to pay resident tuition rate Graduate study limited to undergrad tuition rate
2, 4	Child of Purple Heart recipient or wounded veteran; Child of deceased or disabled veteran	21-14-4-1-2	Undergrad, Grad	124 CH	Applies to only certain war time periods, Includes all service connected disability ratings from 0% to 100%	Graduate study limited to undergrad tuition levels, must be eligible to pay resident tuition
3	Child of POW/MIA from Vietnam War	10-17-7-3	Undergrad	No limit	Applies only to Vietnam War	Limited to baccalaureate degree or certificate of completion
5	Child of publicly employed police officer or firefighter resident in Indiana when killed in the line of duty	21-14-6-2	Undergrad, Grad	8 sems	Child less than 24 years of age at time of officer's death; Safety officer must have been a resident of IN when killed in line of duty	Full-time enrollment; degree seeking; Graduate study limited to undergrad tuition rate
6	Spouse of publicly employed police officer or firefighter resident in Indiana when killed in the line of duty	21-14-6-3	Undergrad	No limit	Safety officer must have been a resident of Indiana when killed in line of duty	Undergraduate degree seeking
7	Child of state trooper permanently disabled in the line of duty	10-12-2-11	Undergrad, Grad	No limit	Trooper permanently and totally disabled and unable to work	Child less than 23 years of age, full-time enrollment, degree seeking
8	Spouse of state trooper permanently disabled in the line of duty	10-12-2-11	Undergrad	No limit	Trooper permanently and totally disabled and unable to work	Undergraduate degree seeking
9	Child of a publicly employed paramedic, emergency medical technician, or advanced emergency medical technician resident in Indiana when killed in line of duty	21-14-6-2	Undergrad, Grad	8 sems	Child less than 24 years of age at time of officer's death, EMT must have been resident of IN at time of death in line of duty	Full-time enrollment, degree seeking, Graduate study limited to undergrad tuition rate
A	Spouse of a publicly employed paramedic, emergency medical technician, or advanced emergency medical technician resident in Indiana when killed in the line of duty	21-14-6-3	Undergrad	No limit	EMT must have been a resident of Indiana when killed in line of duty	Undergraduate degree seeking
D	Child of Indiana National Guard member killed while on state active duty [active military duty covered under Type Codes 2, 4]	21-14-7-1	Undergrad, Grad	124 CH	Covers state active duty only-does not cover certain federal active duty such as required training	Must be eligible to pay resident tuition rate, Graduate study limited to undergrad tuition rate
E	Spouse of Indiana National Guard member killed while on state active duty [active military duty covered under Type Codes 2, 4]	21-14-7-1	Undergrad, Grad	124 CH	Covers state active duty only-does not cover certain federal active duty such as required training	Must be eligible to pay resident tuition, Graduate study limited to undergrad tuition rate
G	Purple Heart Recipient – new 2009	21-14-10	Undergrad, Grad	124 CH	Must enter service for which the Purple Heart was received from a permanent home address in Indiana – “home of record;” honorably discharged	Graduate study limited to undergrad tuition levels; must be eligible to pay resident tuition

SHEEO Information Request
State Aid for Military and Veterans
April 19, 2010

Question:

Your assistance with the following query would be greatly appreciated:

Does your state offer state-funded student financial aid programs for military personnel, veterans or families (e.g., children & spouses) of veterans?

If yes, can you briefly describe the program & eligibility requirements (or direct me to that information)?

What are annual state expenditures for the program(s)?

Below are the responses:

State	
Alabama	<p>Alabama does offer a state scholarship program for dependent's of Veterans. Information on this program can be found here http://www.va.alabama.gov/scholarship.htm. The State expenditure for this program is in general between \$25-30 million.</p> <p>Alabama also has the Alabama National Guard Educational Assistance Program. This is an award to be used for tuition, educational fees and book/supplies for Alabama National Guard members to attend a public postsecondary educational institution in Alabama. Awards are limited to \$500 per term, and no more than \$1,000 per year. This award is not based on need. Students who are active members in good standing with a federally-recognized unit of the Alabama National Guard may apply. The State expenditure is usually \$600,000 to \$700,000.</p>
Arkansas	<p>We have two programs that are specifically targeted at active military & veterans' dependents.</p> <p>Does your state offer state-funded student financial aid programs for military personnel, veterans or families (e.g., children & spouses) of veterans?</p> <p>Yes—for active military personnel, we offer the National Guard Tuition Incentive Program:</p> <ul style="list-style-type: none"> • Tuition incentive program open to active members of the Arkansas Army/Air National Guard. • Must be an Arkansas resident • Up to \$5,000 per year based on number of hours enrolled. • Qualified applicants may obtain an application by contacting their unit commander or online at http://www.arguard.org/Education/ta.asp. <p>For families (spouse and or dependent children), we offer the Military Dependents Scholarship:</p> <ul style="list-style-type: none"> • Full-time undergraduate students who are dependent children or spouses of persons who were declared killed in action, missing in action or who are now service-connected 100% permanently & totally disabled after January 1, 1960.

	<ul style="list-style-type: none"> • Parent or spouse must have been an AR resident at time he/she entered service in the US Armed Services OR whose official residence is now within the State of Arkansas. • MDS pays the unpaid portion of the total cost of in-state tuition, on-campus room/board and mandatory fees at an Arkansas institution of higher education after three (3) months of DEA benefits are deducted from total covered costs. • Scholarship enables students to pursue an undergraduate degree. All applicants of the Military Dependents' Scholarship (MDS) must also apply and show acceptance or denial of the federal program, Dependents' Educational Assistance Program. • Application deadlines are June 1 and November 1. <p>Awards for the MDS vary based on the unpaid portion of total cost of tuition, fees, room and board (meal plan) after three (3) months of DEA (Federal Chapter 35) benefits have been deducted. If there is no unpaid portion, the MDS pays nothing. The MDS Program is currently underfunded. The amount appropriated by the Arkansas Legislature (\$250,000) has failed to keep pace with qualified applicants. Expenditures this 2009-10 year are expected to exceed \$350,000.</p>
Florida	<p>Florida provides scholarships for the dependents of deceased and disabled military service members and veterans. Information about the total number of awards and state expenditures will need to be directed to the Office of Student Financial Assistance (OSFA). You can find the information concerning the scholarships at the following OSFA link: http://www.floridastudentfinancialaid.org/SSFAD/factsheets/CDDV.htm</p>
Kansas	<p>The state of Kansas does offer a few state-funded student financial aid programs for military personnel, veterans, & families of veterans. They are the following:</p> <ul style="list-style-type: none"> • Military Service Scholarship: This is a program that assists undergraduate students attending Kansas public postsecondary institutions with tuition and fees. Students must be Kansas residents and have either (a) served in military service in Iraq or Afghanistan at least 90 days after September 11, 2001, or served less than 90 days because of injuries received in Iraq or Afghanistan or (b) served in military service in international waters or on foreign soil in support of military operations in Iraq or Afghanistan for at least 90 days after September 11, 2001, or less than 90 days because of injuries received during service and received an honorable discharge from military service or is still in military service and has a DD-214 form or active duty orders that indicate the individual has served after September 11, 2001, in one or more of the following military operations: (a) Enduring Freedom; (b) Nobel Eagle; or (c) Iraqi Freedom. Financial need is a priority in awarding. The appropriated amount for this program for FY 10 was \$485,778. • Tuition & Fee Waivers for Dependents & Spouses of Deceased Military Personnel & Former Prisoners of War: This program provides for enrollment without charge of tuition or fees for any dependent or spouse of any resident of Kansas who died on or after September 11, 2001, while, and as a result of, serving in military service; and any prisoner of war. These dependents are eligible for enrollment for up to a maximum of 10 semesters of undergraduate instruction. Financial need is not a factor in awarding. The appropriated amount for this program for FY 10 was \$87,440. (This waiver

	<p>program also includes dependents of slain public safety officers – i.e. firefighters, law enforcement officers and EMT's – so the funding is also shared with this group.)</p> <p>In addition to the above two programs, the state of Kansas also has an ROTC Service Scholarship and a National Guard Educational Assistance Program. These are not specific to veterans but award assistance to individuals pursuing military service.</p>
Maryland	<p>Does your state offer state-funded student financial aid programs for military personnel, veterans or families (e.g., children & spouses) of veterans? Yes, we have two programs that provide assistance for that population; The Veterans of Afghanistan & Iraqi Conflicts Scholarship and the Edward T. Conroy Memorial Scholarship.</p> <p>If yes, can you briefly describe the program & eligibility requirements (or direct me to that information)? Because each program is unique and serves more than one population I have provided the following links to those programs that provide specific details:</p> <p>http://www.mhec.state.md.us/financialAid/ProgramDescriptions/prog_vaic.asp</p> <p>http://www.mhec.state.md.us/financialAid/ProgramDescriptions/prog_conroy.asp</p> <p>What are annual state expenditures for the program(s)? For FY 2010 the available amount to award the VAIC program is \$750,000 and for the Edward Conroy program there is \$768,600 to award.</p>
Minnesota	<p>Minnesota Tuition Reimbursement for Air and Army National Guard The Minnesota Tuition Reimbursement Grant program provides financial assistance for Minnesota Air and Army National Guard members. The program reimburses members for coursework satisfactorily completed at any school, in-state or out-state, approved for veterans benefits. The rate of reimbursement is up to 100 percent of tuition only, not to exceed the undergraduate cost per credit at the University of Minnesota, Twin Cities. Surviving Dependent Eligibility: If a member of the Minnesota National Guard is killed in the line of state active service or federally funded state active service, the member's surviving spouse and any surviving dependents who have not reached 24 years of age are eligible for tuition reimbursement. To apply or learn more contact: Education Services Office Minnesota Department Military Affairs Veterans Service Building, 2nd Floor Tel: (651) 282-4589 E-mail: education@mn.ngb.army.mil Web: minnesotanationalguard.org/education/index.php</p> <p>Minnesota GI Bill The Minnesota GI Bill, established in 2007, provides postsecondary financial assistance to eligible Minnesota veterans who served on or after September 11, 2001. Full-time undergraduate or graduate students may be eligible to receive up to \$1,000 per semester and part time students can receive up to \$500 per semester. Eligibility Requirements: You must be a Minnesota resident enrolled at a Minnesota institution and a:</p> <ul style="list-style-type: none"> • veteran who is serving or has served honorably in any branch of the United States armed

	<p>forces at any time on or after September 11, 2001, or;</p> <ul style="list-style-type: none"> • non-veteran who has served honorably for a total of five years or more cumulatively as a member of the Minnesota National Guard or any other active or reserve component of the United States armed forces, <p>and any part of that service occurred on or after September 11, 2001, or;</p> <ul style="list-style-type: none"> • surviving spouse or children of a person who served in the military on or after September 11, 2001, and who has died or has a total and permanent disability as a direct result of that military service. <p>Application Process: www.getreadyforcollege.org/military</p> <p>Annual Expenditures: 2008-2009 – \$1.2 million</p> <p>Minnesota Educational Assistance for Veterans and Surviving Spouse/Dependent Education Benefit</p> <p>The Minnesota Department of Veterans Affairs provides educational assistance for veterans who attend an approved postsecondary institution in Minnesota. Veterans may qualify for a one-time stipend of \$750.</p> <p>Eligibility Requirements: To be eligible, you must provide a statement from the U.S. Department of Veterans Affairs indicating you have used all federal benefits available; and were a resident of Minnesota for the six months preceding your entry into the armed forces. Application Process: Contact the Minnesota Department Veterans Affairs at (651) 296-2562 or visit www.mdva.state.mn.us/education.</p> <p>The Minnesota Department of Veterans Affairs also provides an educational benefit of up to \$750 per year to the surviving spouses and dependents of veterans who died as a result of a service connected injury or disease to attend an approved postsecondary institution.</p> <p>Eligibility Requirements: To be eligible, the applicant must be a Minnesota resident and document that the veteran was a resident of Minnesota for the six months preceding their entry into the armed forces.</p> <p>Application Process: Contact the Minnesota Department Veterans Affairs at (651) 296-2562 or visit www.mdva.state.mn.us/education.</p>
Nebraska	<p>The state does offer state-funded financial aid to military personnel, veterans and families. Relevant statutes are: 80-411; 80-901 & 902; 85-502 (7); and 85-505 through 85-508. Last year the state spent a little over \$4.5 million for Veteran and Military financial aid.</p>
North Dakota	<p>In addition to federal and state financial aid programs all North Dakota families may be eligible for, please reference SBHE Policy 820 -- Tuition Waivers 2(b) and (d) for military families:</p> <p>http://www.ndus.nodak.edu/policies/sbhe-policies/policy.asp?ref=2282&printable=1</p>
Ohio	<p>Here are some programs in Ohio that fit this description:</p> <p><u>Ohio War Orphans Scholarship</u></p> <p>http://regents.ohio.gov/sgs/war_orphans/</p> <p>Expenditures for the most recent completed fiscal year 2009 (academic year 2008-2009) were \$4,210,157 serving 812 recipients</p> <p>Projected expenditures for the current fiscal year 2010 (academic year 2009-2010) are \$4,515,748 serving 792 recipients</p>

	<p><u>Ohio Safety Officers College Memorial Fund</u> http://regents.ohio.gov/sgs/oso/ Expenditures for the most recent completed fiscal year 2009 (academic year 2008-2009) were \$319,947 serving 55 recipients Projected expenditures for the current fiscal year 2010 (academic year 2009-2010) are \$350,000 serving around 50 or so recipients</p> <p><u>Ohio National Guard Scholarship</u> http://www.ongsp.org/forms/AGOH FORM 621-1 REV 22SEP05.pdf Expenditures for the most recent completed fiscal year 2009 (academic year 2008-2009) were \$13,137,274 serving 5,129 recipients Projected expenditures for the current fiscal year 2010 (academic year 2009-2010) are unavailable</p> <p><u>Ohio GI Promise</u> http://uso.edu/opportunities/ohioGIpromise/index.php http://uso.edu/downloads/documents/GIPromiseFactSheet.pdf No direct cost to the state as out-of-state tuition rates are 'waived' at the institutional level in qualified circumstances</p>
Pennsylvania	<p>In Pennsylvania, all state need-based aid is managed through the Pennsylvania Higher Education Assistance Agency (PHEAA; also known as AES). There are various veterans programs, all of which can be found on their website:</p> <p>Here are some items on Veterans and their dependents:</p> <ul style="list-style-type: none"> • Brochure from PHEAA's webpage on aid to Veterans - features State Grant Program: http://www.pheaa.org/specialprograms/pdf/VETERANS.pdf • Postsecondary Educational Gratiuity Program (and Act 105) This is a program for the spouses and children of deceased veterans (and others) http://www.pheaa.org/specialprograms/Postsecondary_Educational_Gratiuity.shtml • POW/MIA Information on this program is in the brochure from above • Educational Assistance Program (EAP) For PA National Guard members who could also be veterans See more detail at: http://www.pheaa.org/specialprograms/Pennsylvania_National_Guard_Members.shtml
WI	<p>The best source for information on Wisconsin military educational benefits is a website hosted by the Wisconsin Department of Veterans Affairs. The web address is http://dva.state.wi.us/ben_education.asp.</p> <p>In fiscal year 2009-10, the state allocated \$1,877,900 to support the VetEd program, which is described at the above address. As this program is entirely administered by the Wisconsin Department of Veterans Affairs, I do not have any additional information on the financing of the program.</p> <p>In fiscal year 2008-09, University of Wisconsin institutions and Wisconsin Technical Colleges remitted, or did not charge students, for \$27,661,774 in tuition and fees under the Wisconsin</p>

	<p>GI Bill. It should be noted that substantial legislative changes were made to Wisconsin GI Bill for fiscal year 2009-10, and no reliable data is available on current expenditures.</p> <p>As noted on the above webpage, University of Wisconsin institutions charge certain veterans, military personnel, children, and spouses instate tuition rates. The value of the forgone nonresident tuition is not tracked consistently at UW System.</p>
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